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the Freeman

Ideas on Liberty

JUNE 1970

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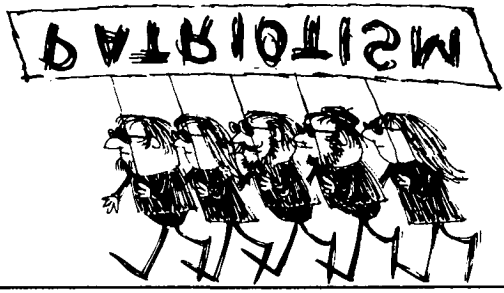

THE NEW PATRIOTS

E. F. WELLS

WAR PAINT zig-zagged across his cheeks, contrasting curiously with the black judge's robe. The mad abandonment of his dark brown hair matched well the wild irrationality of his talk. Standing, he dramatically ripped the robe to shreds to demonstrate his contempt both for judges and for the law.

Jerry Rubin is one of the new breed who call themselves Patriots and proudly proclaim a close affinity to the Patriots of 1776. How valid is their boast? Is there really a relationship?

On the Question of Liberty: On the eve of the American Revolution, the Virginia House of Burgesses voted to condemn the Stamp Act. But Patrick Henry wanted something more. He proposed that anyone who said Parliament had the right to tax should be denounced as an enemy of the people.

So intensely did these early Patriots value liberty, they voted down Patrick Henry's motion. Much as they wished to protect their own rights, they had no desire to silence others. As late as 1777, in the town of Braintree, Massachusetts, the Reverend Edward Winslow continued to pray openly for George III without interference. The Constitution of Pennsylvania, adopted in 1776, was the first in history to guarantee "that the people have a right to freedom of speech."

Mr. Wells has been an educator and currently is a free-lance writer and supervisory training consultant.

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Contrast this love of freedom to the disrespect displayed by the new radicals who cause such an uproar on campus that speakers holding unpopular views cannot be heard; classes cannot be held. Compare this respect for dissent to the program advocated by Herbert Marcuse, Professor at the University of California in San Diego. Leading spokesman for the New Left, Marcuse has described a plan that "would include the *withdrawal of toleration of speech and assembly* from groups and movements which promote aggressive policies, armament, chauvinism, discrimination on the grounds of race and religion, or which oppose the extension of public services, medical care, and so forth."

So inclusive a policy would deny liberty to the man who complained about high taxes, as well as the woman who expressed a love of country. If all these were silenced, who would be left to carry on the many activities that sustain life on this earth? *How* would they be silenced? But Marcuse feels no need for explanations. He has made it abundantly clear that his interest in society stops with the revolution.

On the Matter of Responsibility: Painfully lacking is the tremendous sense of social responsibility that characterized men such as George Washington, John Adams, Thomas Jefferson, and Benjamin Franklin.

By inclination and desire, Washington was a farmer. He wanted no part of revolution. But once war appeared inevitable, he accepted what he felt was a moral obligation. He agreed to command the Continental Army on the condition that he be paid no salary and be reimbursed only for his expenses. He even confided to Patrick Henry that "from the day I enter upon the command of the American armies, I date my fall, and the ruin of my reputation." So he did not seek glory. He fully recognized the awesome difficulties that lay ahead; yet he accepted without hesitation. Again, when he was needed to bring the union together, he agreed, again stipulating that he would accept no salary, only his expenses.

Match this with the irresponsibility so flagrantly displayed by the New Patriots. Jerry Rubin, of the Chicago 7, advocates a new generation of people who are freaky, crazy, irrational, sexy, angry, irreligious, and mad. People who burn draft cards. People who burn dollar bills. People who burn M.A. and doctoral degrees. People who say to hell with your goals. But even more irresponsibly, he urges other revolutionaries

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to pervert and destroy the young, luring them to smoke pot and use the mind-destroyer, LSD. "Don't pay attention to what your parents, your teachers, your ministers, your doctors, your neighbors say," he advises the young, "they don't know anything."

Where is the resemblance between such errant nonsense, such *vicious* advice, and the strong sense of values expressed by the men who wrote the Bill of Rights and the Constitution of the United States? It is blasphemy to equate the two!

On the Respect for Knowledge: Once, when President John F. Kennedy was entertaining a group of Nobel prize winners, he remarked, "This is the most extraordinary collection of talent . . . that has ever been gathered together at the White House — with the possible exception of when Thomas Jefferson dined alone."

Men such as Jefferson, James Madison, Alexander Hamilton, John Adams, and Benjamin Franklin possessed mighty intellects. Madison appeared to live wholly in the world of ideas. While still in college, Hamilton was writing serious pamphlets on the legal questions of the day. For years, Jefferson kept a "Commonplace Book," in which he jotted down and sometimes summarized the volumes he read, including ideas inspired by those books. Out of 905 entries, 550 were made while he was a student and a young lawyer. Most dealt with highly technical aspects of law and politics, including evaluations of Beccaria and Montesquieu. Before he wrote the Declaration of Independence and drastically influenced the creation of the Bill of Rights, Jefferson had absorbed the thoughts of all the great political philosophers.

John Adams had such respect for facts that he could see all sides of an issue. He was so objective, even those with whom he joined forces were not always certain he was with them. Yet they were enormously pleased when he was, for he was incorruptible, intelligent, and *usually right.*

Benjamin Franklin, indentured at twelve as a printer's devil to his brother, James, soon discovered that by economizing on food he could save half his salary for books. Throughout his long, useful life, he continued a program of self-education.

The New Left, on the other hand, is frankly anti-intellectual. Ask them what form of government they would have to replace our republic; they have no answer. A few speak of communism, but they have given little thought as to what form it will take. Some talk hopefully of "Participatory

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Democracy," but when asked for a fuller explanation, it turns out to be merely another scheme for redistributing the wealth. Their emphasis on local control usually refers to personal management of welfare funds. Early in the civil rights movement, the Students for a Democratic Society (SDS) stressed "control of antipoverty funds." The more militant want control of the police as a necessary step in the overthrow of the government. The old and splendid concept of participatory democracy requiring individual initiative and genuine effort appears incomprehensible to them.

They are not even well read in Marxism. If they were, they might laugh themselves into a state of reasonableness by seeing what an ironic jest they are playing on that dead philosopher. His was to be a revolution of the *working* proletariat. Marx never once wavered in his belief that the workers created the wealth, therefore, it belonged to them. So what a farce it is to watch university students, most of whom have never worked, organizing welfare recipients, some of whom are the idle offspring of parents who never worked, into a revolutionary movement to carry out Marx's theories. I doubt that the irate German would have appreciated being so misunderstood. But as Milovan Djilas wrote in *The Imperfect Society,* "ideas are like vampires; ideas are capable of living after the death of the generations and social conditions in and by which they were inspired." Furthermore, they are often borrowed by men incapable of comprehending the originator's intent, and the damage they do is sometimes irreparable.

Few of the new breed seem capable of comprehending the awesome consequences of their rebellion. They cry out against the Establishment, yet their every act leads to more Federal government, more centralized control. Marcuse has said that what happens after the holocaust is not his affair. Apparently he is excused from producing any answers since negative thinking only negates.

So let's really tell it like it is for once. Members of the New Left flatter themselves when they seek to borrow respectability from the Patriots of 1776. The early revolutionaries were dedicated men, willing to submit to the rigid discipline of long hours of agonizing political thought.

On the Question of Limited Government: All that sweltering summer night printer John Dunlap and his typesetters worked feverously to complete the first handbills of the Declaration of Inde-

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pendence. Early the next morning, newsboys were on the streets hawking it, scarcely aware they were selling a glorious belief in the equality of free men. It was the gauntlet thrown at the King, the beginning of the difficult struggle for government *by the consent of the governed,* and strictly limited government at that.

Even when the loose Articles of Confederation proved inadequate, those meeting in Philadelphia to create the Constitution did everything within their power to guard the people against being overwhelmed by big government, a fact made amply clear by the Tenth Amendment. Yet even so mild a document might never have been ratified had not George Mason, Thomas Jefferson, and other strong voices urged that a Bill of Rights be included. Certainly Madison, Hamilton, and John Jay went to sufficient lengths in the *Federalist Papers* to assure the people that, with the exception of specified powers, the Federal government was not to usurp the rights of the states or of the people.

Although there is little unanimity of thought among the New Left, or even much thought, those who do have a program favor some form of socialism. While railing against big government, they invite more. They have not yet faced up to the fact that socialism would not rid them of General Electric or Ford Motor Company. General Electric would simply be amalgamated with Westinghouse, Consolidated Edison, Western Electric, and Radio Corporation of America into one terrifyingly cumbersome Bureau of Electricity. Government owned and operated, government could solve power shortages by decree. Television being unimportant except for propaganda purposes, viewing hours could be restricted to half-hour harangues by Jerry Rubin or Abby Hoffman, encoring with lectures on dialectical materialism by Herbert Marcuse – provided, of course, critic Marcuse was not the first to be silenced.

In THE FREEMAN of December 1969, Orien Johnson quoted from a program formed by several "Berkeley Liberation Committees." These young radicals believe they can gain "more control over their lives" by confiscating the profits of local business and industry and taxing nearby universities. To succeed in such a seizure, they would first have to command both the police and the national guard. This would necessitate an overthrow. They would then be in power in Washington and not merely in charge of the Berkeley area. All the problems of the Union would fall upon them, and they have yet to prove they would be less tyran-

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nical than the present government.

It took courage to sign the Declaration of Independence. The penalty was hanging. To pay so high a price, a man had to believe in a dream. That dream was self-control under limited government. Nothing I have read or heard expressed by the new breed of pseudo Patriot has led me to think they even know the meaning of the term.

On Moral Excellence: In recent years cynics have taken a malicious delight in trying to destroy the image of the Patriots of 1776. But even the most diligent search has failed to reveal anything more scandalous about George Washington than that he uttered an angry oath when he saw Charles Lee treacherously retreating before General Clinton's redcoats at Monmouth. Many among the New Left are incapable of expressing a thought without resorting to language so offensive it rarely reaches the popular press.

Thomas Jefferson made his wife a vow that he would never remarry. Although he was a young man of 39 when she died, he kept that vow. Permanent commitments are scorned by the new breed.

Certainly the Revolutionary Cause attracted its share of rogues, as do all causes. Samuel Adam's distorting of the news was scurrilously dishonest. But most of the leaders were created from as splendid a pattern for mankind as has ever yet been devised. Disciplined, they ruled their passions. Idealistic, they worked to achieve sound goals. Generous, they devoted their lives to leave us a rich legacy of liberty and law. Speaking of George Washington in a letter to J. Melish, Jefferson wrote, "He asseverated to me a thousand times his determination that the existing government should have a fair trial and that in support of it he would spend the last drop of his blood." The record of his dedicated life proves this was no idle vow!

If there is any discipline among the New Patriots, it exists most prominently within the Progressive Labor Party, the cadre most closely allied with Communist China. This tiny group believes that "decadence never made a Revolution," but the mobs of Paris disproved that.

If the new breed are idealistic, it is a twisted kind of idealism, willing to pervert, to sacrifice the young for the sake of some poorly defined goal. As John Gardner, Chairman of the Urban Coalition, described it, it is "rage and hate in a good cause, being vicious for virtue, self-indulgent for higher purposes, dishonest in the service of a higher honesty."

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As for generosity, they have nothing to give. Bereft of ideas, they distort Marx to fit their purpose. Unwilling to work, they wish to confiscate the taxes and the profits of the industrious. Hypocritically inconsistent, they profess to love mankind while hating man.

"The aversion to restraint," wrote Alexander F. Tytler in *Universal History*, "assumes the *same external appearance* with the love of liberty; but this criterion will enable us to distinguish the reality from the counterfeit. In fact, the spirit of liberty and a general corruption of manners are so totally adverse and repugnant to each other, that it is utterly impossible they should have even the most transitory existence in the same age and nation."

Yet throughout history, as in Athens and in Rome, license disguised as liberty, libertines masquerading as patriots have been used to enslave those who refused or could not distinguish the difference.

IDEAS ON LIBERTY

The Right to Life

TO SAY that you have a right to life, is to affirm that no other entity on this earth is authorized to take your life. It is not to say that other entities are obligated to sustain your life.

For to live as a human being is not merely to exist, but is to employ to their utmost, those faculties with which you have been endowed. Your right to life is the right to work and think, without interference, within the constraints of a peaceful society.

You have no right to an existence which imposes positive obligations upon others to maintain your existence. Such arrangements must be undertaken on a voluntary basis. To insist otherwise is to affirm your status as master, and that of another as slave.

C. REBERT, *Menlo Park, California*

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Should Teen-agers Vote?

FREDERIC BASTIAT

Extension of the voting franchise has been a feature of popular clamor ever since the appearance of democratic institutions. Why? Why do citizens put more emphasis on voting than on jury duty, for instance? Why is voting thought of as a privilege to be sought rather than a duty to be performed? The real reason is rarely advanced in our times. So, let's turn back to the troubled France of 1848 and reflect with that brilliant analyst and exposer of political sham, Frederic Bastiat. As if writing for us today, he supplies the answers with crystal clarity.

SINCE MAN is naturally inclined to avoid pain – and since labor is pain in itself – it follows that men will resort to plunder whenever plunder is easier than work. History shows this quite clearly. And under these conditions, neither religion nor morality can stop it.

When, then, does plunder stop? It stops when it becomes more painful and more dangerous than labor.

It is evident, then, that the proper purpose of law is to use the power of its collective force to stop this fatal tendency to plunder instead of to work. All the measures of the law should protect property and punish plunder.

But, generally, the law is made by one man or one class of men. And since law cannot operate without the sanction and support of a dominating force, this force must be entrusted to those who make the laws.

This fact, combined with the fatal tendency that exists in the heart of man to satisfy his wants with the least possible effort, explains the almost universal perversion of the law. Thus it is easy to understand how law, instead of checking injustice, becomes the invincible weapon of injustice. It is easy to understand why the law is used by the legislator to destroy in varying degrees among the rest of the people, their personal inde-

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pendence by slavery, their liberty by oppression, and their property by plunder. This is done for the benefit of the person who makes the law, and in proportion to the power that he holds.

Victims of Lawful Plunder

Men naturally rebel against the injustice of which they are victims. Thus, when plunder is organized by law for the profit of those who make the law, all the plundered classes try somehow to enter – by peaceful or revolutionary means – into the making of laws. According to their degree of enlightenment, these plundered classes may propose one of two entirely different purposes when they attempt to attain political power: either they may wish to stop lawful plunder, or they may wish to share in it.

Woe to the nation when this latter purpose prevails among the mass victims of lawful plunder when they, in turn, seize the power to make laws!

Until that happens, the few practice lawful plunder upon the many, a common practice where the right to participate in the making of law is limited to a few persons. But then, participation in the making of law becomes universal. And then, men seek to balance their conflicting interests by universal plunder. Instead of rooting out the injustices found in society, they make these injustices general. As soon as the plundered classes gain political power, they establish a system of reprisals against other classes. They do not abolish legal plunder. (This objective would demand more enlightenment than they possess.) Instead, they emulate their evil predecessors by participating in this legal plunder, even though it is against their own interests.

It is as if it were necessary, before a reign of justice appears, for everyone to suffer a cruel retribution – some for their evilness, and some for their lack of understanding.

The Results of Legal Plunder

It is impossible to introduce into society a greater change and a greater evil than this: the conversion of the law into an instrument of plunder.

What are the consequences of such a perversion? It would require volumes to describe them all. Thus we must content ourselves with pointing out the most striking.

In the first place, it erases from everyone's conscience the distinction between justice and injustice.

No society can exist unless the laws are respected to a certain degree. The safest way to make laws respected is to make them respect-

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able. When law and morality contradict each other, the citizen has the cruel alternative of either losing his moral sense or losing his respect for the law. These two evils are of equal consequence, and it would be difficult for a person to choose between them.

The nature of law is to maintain justice. This is so much the case that, in the minds of the people, law and justice are one and the same thing. There is in all of us a strong disposition to believe that anything lawful is also legitimate. This belief is so widespread that many persons have erroneously held that things are "just" because law makes them so. Thus, in order to make plunder appear just and sacred to many consciences, it is only necessary for the law to decree and sanction it. Slavery, restrictions, and monopoly find defenders not only among those who profit from them but also among those who suffer from them....

Another effect of this tragic perversion of the law is that it gives an exaggerated importance to political passions and conflicts, and to politics in general.

I could prove this assertion in a thousand ways. But, by way of illustration, I shall limit myself to a subject that has lately occupied the minds of everyone: universal suffrage.

Who Shall Judge?

The followers of Rousseau's school of thought – who consider themselves far advanced, but whom I consider twenty centuries behind the times – will not agree with me on this. But universal suffrage – using the word in its strictest sense – is not one of those sacred dogmas which it is a crime to examine or doubt. In fact, serious objections may be made to universal suffrage.

In the first place, the word *universal* conceals a gross fallacy. For example, there are 36 million people in France. Thus, to make the right of suffrage universal, there should be 36 million voters. But the most extended system permits only 9 million people to vote. Three persons out of four are excluded. And more than this, they are excluded by the fourth. This fourth person advances the principle of *incapacity* as his reason for excluding the others.

Universal suffrage means, then, universal suffrage for those who are capable. But there remains this question of fact: Who is capable? Are minors, females, insane persons, and persons who have committed certain major crimes the only ones to be determined incapable?

A closer examination of the subject shows us the motive which causes the right of suffrage to be

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based upon the supposition of incapacity. The motive is that the elector or voter does not exercise this right for himself alone, but for everybody.

The most extended elective system and the most restricted elective system are alike in this respect. They differ only in respect to what constitutes incapacity. It is not a difference of principle, but merely a difference of degree.

If, as the republicans of our present-day Greek and Roman schools of thought pretend, the right of suffrage arrives with one's birth, it would be an injustice for adults to prevent women and children from voting. Why are they prevented? Because they are presumed to be incapable. And why is incapacity a motive for exclusion? Because it is not the voter alone who suffers the consequences of his vote; because each vote touches and affects everyone in the entire community; because the people in the community have a right to demand some safeguards concerning the acts upon which their welfare and existence depend.

I know what might be said in answer to this; what the objections might be. But this is not the place to exhaust a controversy of this nature. I wish merely to observe here that this controversy over universal suffrage (as well as most other political questions) which agitates, excites, and overthrows nations, would lose nearly all of its importance if the law had always been what it ought to be.

In fact, if law were restricted to protecting all persons, all liberties, and all properties; if law were nothing more than the organized combination of the individual's right to self-defense; if law were the obstacle, the check, the punisher of all oppression and plunder – is it likely that we citizens would then argue much about the extent of the franchise?

Under these circumstances, is it likely that the extent of the right to vote would endanger that supreme good, the public peace? Is it likely that the excluded classes would refuse to peaceably await the coming of their right to vote? Is it likely that those who had the right to vote would jealously defend their privilege?

If the law were confined to its proper functions, everyone's interest in the law would be the same. Is it not clear that, under these circumstances, those who voted could not inconvenience those who did not vote?

The Fatal Idea of Legal Plunder

But on the other hand, imagine that this fatal principle has been introduced: Under the pretense of

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organization, regulation, protection, or encouragement, the law takes property from one person and gives it to another; the law takes the wealth of all and gives it to a few – whether farmers, manufacturers, shipowners, artists, or comedians. Under these circumstances, then certainly every class will aspire to grasp the law, and logically so.

The excluded classes will furiously demand their right to vote – and will overthrow society rather than not to obtain it. Even beggars and vagabonds will then prove to you that they also have an incontestable title to vote. They will say to you:

"We cannot buy wine, tobacco, or salt without paying the tax. And a part of the tax that we pay is given by law – in privileges and subsidies – to men who are richer than we are. Others use the law to raise the prices of bread, meat, iron, or cloth. Thus, since everyone else uses the law for his own profit, we also would like to use the law for our own profit. We demand from the law the *right to relief*, which is the poor man's plunder. To obtain this right, we also should be voters and legislators in order that we may organize Beggary on a grand scale for our own class, as you have organized Protection on a grand scale for your class. Now don't tell us beggars that you will act for us, and then toss us . . . [a few] francs to keep us quiet, like throwing us a bone to gnaw. We have other claims. And anyway, we wish to bargain for ourselves as other classes have bargained for themselves!"

And what can you say to answer that argument!

As long as it is admitted that the law may be diverted from its true purpose – that it may violate property instead of protecting it – then everyone will want to participate in making the law, either to protect himself against plunder or to use it for plunder. Political questions will always be prejudicial, dominant, and all-absorbing. There will be fighting at the door of the Legislative Palace, and the struggle within will be no less furious. . . .

How to Identify Legal Plunder

But how is this legal plunder to be identified? Quite simply. See if the law takes from some persons what belongs to them, and gives it to other persons to whom it does not belong. See if the law benefits one citizen at the expense of another by doing what the citizen himself cannot do without committing a crime.

Then abolish this law without delay, for it is not only an evil itself, but also it is a fertile source

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for further evils because it invites reprisals. If such a law – which may be an isolated case – is not abolished immediately, it will spread, multiply, and develop into a system.

The person who profits from this law will complain bitterly, defending his *acquired rights*. He will claim that the state is obligated to protect and encourage his particular industry; that this procedure enriches the state because the protected industry is thus able to spend more and to pay higher wages to the poor workingmen.

Do not listen to this sophistry by vested interests. The acceptance of these arguments will build legal plunder into a whole system. In fact, this has already occurred. The present-day delusion is an attempt to enrich everyone at the expense of everyone else; to make plunder universal under the pretense of organizing it. . . .

The Choice Before Us

This question of legal plunder must be settled once and for all, and there are only three ways to settle it:

1. The few plunder the many.
2. Everybody plunders everybody.
3. Nobody plunders anybody.

We must make our choice among limited plunder, universal plunder, and no plunder. The law can follow only one of these three.

Limited legal plunder: This system prevailed when the right to vote was restricted. One would turn back to this system to prevent the invasion of socialism.

Universal legal plunder: We have been threatened with this system since the franchise was made universal. The newly enfranchised majority has decided to formulate law on the same principle of legal plunder that was used by their predecessors when the vote was limited.

No legal plunder: This is the principle of justice, peace, order, stability, harmony, and logic. . . .

The Proper Function of the Law

And, in all sincerity, can anything more than the absence of plunder be required of the law? Can the law – which necessarily requires the use of force – rationally be used for anything except protecting the rights of everyone? I defy anyone to extend it beyond this purpose without perverting it and, consequently, turning might against right. This is the most fatal and most illogical social perversion that can possibly be imagined. It must be admitted that the true solution – so long searched for in the area of social relationships – is contained in these simple words: *Law is organized justice.*

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Now this must be said: When justice is organized by law – that is, by force – this excludes the idea of using law (force) to organize any human activity whatever, whether it be labor, charity, agriculture, commerce, industry, education, art, or religion. The organizing by law of any one of these would inevitably destroy the essential organization – justice. For truly, how can we imagine force being used against the liberty of citizens without its also being used against justice, and thus acting against its proper purpose?

Here I encounter the most popular fallacy of our times. It is not considered sufficient that the law should be just; it must be philanthropic. Nor is it sufficient that the law should guarantee to every citizen the free and inoffensive use of his faculties for physical, intellectual, and moral self-improvement. Instead, it is demanded that the law should directly extend welfare, education, and morality throughout the nation.

This is the seductive lure of socialism. And I repeat again: these two uses of the law are in direct contradiction to each other. We must choose between them. A citizen cannot at the same time be free and not free.

Bastiat's *The Law*, from which the above paragraphs are excerpted, is available from the Foundation for Economic Education, Irvington-on-Hudson, New York 10533.

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Freedom IN THE GLOBAL VILLAGE

DAVID C. KING

THE VOCABULARY of the space age, with its colorful labels like "spaceship earth" and "the global village," has been eagerly grasped by the champions of world government as a dramatic means of illustrating their cause. We are all "riders on the earth together," they proclaim, and it logically follows that the only means of survival in our journey through space is to function as a single society led by a single government.

With just as much enthusiasm, proponents of individual freedom have attacked these utopian dreams. Those who feel defensive about the creeping encroachments of big government find the new slogans uncomfortable. They can't resist the impulse to deride phrases like "spaceship earth" because to accept them would seem to be a step toward accepting some form of centralized global authority.

But the whole idea of a global perspective is not really that frightening. In fact, you can make a good case for the thought that acceptance of the spaceship earth analogy should lead us in the direction of less government control rather than more.

In the first place, we should be able to accept the premise that we are indeed living in a "global village." Modern technology has been largely responsible for that; and humanity can no longer live in isolated pockets. Barbara Ward was quite right in saying: "We have become neighbors in terms of inescapable proximity and instant communication. We are neighbors in economic interest and technological direction. We are neighbors

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in the risk of total destruction."[1]

Modern problems, such as ecology, urbanization, and population, have also made us realize that our spaceship is a pretty frail craft and what happens in one part of it is going to affect other areas as well. Businessmen have known this for a long time – at least in terms of economics – but we've been slow to grasp the idea in other areas that are just as important to our lives as profit and loss statements. In the future, the interrelatedness of man is likely to become more intimate rather than less so. I think few people would disagree with the prediction of political scientist Bruce Russett that, in the decades ahead, "people will be much more closely involved than ever before. . . . 'One World' has a meaning beyond the understanding even of those who lived just a generation ago."[2]

In other words, we find ourselves living in a sort of dualistic society – the local (or national) culture on the one hand, the global on the other. Geographer Robert Harper explains the two culture systems this way: "In the Congo, most people still live in the locally-based system focused on their own piece of earth real-estate, but Leopoldville is a city with regular communication and traffic with the worldwide network. . . . Mexico is both Mexico City, with its rather important position in the interconnected world, and the Indian village, that is only peripherally tied to the world beyond walking distance from the village."[3]

Homemade Pride

In most of our behavior, however, we act as though we were not aware that there is a global society as well as a national one. We are impressed by our own uniqueness as a nation, and our schools spend a good portion of their time imbuing our children with ideas of how we are different from other people, and all but ignore experiences we share with other members of the human species. Donald W. Robinson, of the National Association of Secondary School Principals, points out that "history textbooks usually present a view of the national culture that is acceptable to the educational establishment."[4] And the acceptable view seems to be one that concentrates on the achievements of the United States as a nation.

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[1] Barbara Ward, *Spaceship Earth* (N. Y.: Columbia University Press, 1966), p. 14.

[2] Bruce Russett, *Trends in World Politics* (N. Y.: The Macmillan Co.), p. 165.

[3] Robert Harper, "A Basic Framework for Social Science," *Social Education*, XXXII (Nov., 1968), p. 656.

[4] Donald W. Robinson, ed., *As Others See Us* (Boston: Houghton Mifflin, 1969), p. 2.

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Now there is nothing wrong with national pride. What is wrong is that we learn to think only in terms of the nation-state and encourage our youth to think the same way. We tend to ignore the fact that we are also members of a global society that criss-crosses national boundaries as though they didn't exist. One result of our myopia is the tendency to look to the nation-state as *the* organizing force in our lives – if we are faced with a problem, we automatically assume that the government will solve it. As psychologist Herbert Kelman stated: "The organization of the world in terms of nation-states has such a powerful hold on our thinking that it is almost impossible to conceive it in different terms."[5]

Suppose we were able to look at ourselves as part of a global society. Would this lead to loss of loyalty to one's nation? Would it be a dangerous step toward bigger government or some form of world government?

The answer to both questions is a resounding "No!"

To accept the idea that we are "riders on the earth together" is merely to accept a condition that already exists. It means realizing that we have a great many things in common with our fellow passengers, including some problems that would be a good deal more solvable if we could learn to cooperate – as people, not as governments. The global village idea also means understanding that "there are many functions which, by their inherent nature and by the nature of the modern world, cannot properly be met by the sovereign nation-state."[6]

Multinational Corporations

One significant example should serve to illustrate the point: the internationalization of business.

Multinational corporations have been in existence for a considerable length of time, but it is only in the past few years that we've begun to realize what a tremendous impact they have on the economy of the world. According to Judd Polk of the International Chamber of Commerce, these global firms now have a combined production that exceeds "that of all national markets except those of the United States and Russia"; and, if present growth rates continue, by the end of the century "the world economy will be more than half-internationalized."[7]

The impetus for this revolution-

[5] Herbert Kelman, "Education for the Concept of a Global Society," *Social Education*, XXXII (Nov., 1968), p. 662.

[6] *Ibid.*

[7] Judd Polk, "The Rise of World Corporations," *Saturday Review* (Nov. 22, 1969), p. 32-33.

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ary growth was not supplied by an idealistic dream of a centralized world society. And much of it was achieved in spite of the interference of national governments and bureaucracies. What has happened has been simply a natural pattern of expansion as businessmen have sought new resources and markets. If these goals could be achieved by crossing national boundaries, then those boundaries were crossed.

Although the expansion of multinational firms has caused some concern in other countries (e.g., Servan-Schreiber's fears expressed in *The American Challenge* that Europe is going to become Americanized), no one seems to worry much about members of these firms losing their patriotism. An American technician working for IBM in France will remain loyal to his native land; the same thing would be true of an Argentinian accountant working for an English firm in Saudi Arabia. As historian Frank Tannenbaum commented: "The corporation groups the nationals into a new loyalty – a functional identity across all borders" and these are "unrelated to the state or nation."[8] Man has long been capable of multiple loyalties – church, community, family, nation – and there is no reason that a businessman can't be loyal to his company in Pakistan at the same time that he maintains his other ties.

Business Brings Unity Where Force Has Failed

If global businesses can avoid being trapped in bureaucratic red tape, which some have managed to avoid in the face of tremendous obstacles, it seems quite likely that their natural growth will do a good deal to make life more comfortable for the less fortunate passengers on our spaceship. In fact, free economic growth by American and European firms in developing countries will do far more than costly foreign aid programs in creating jobs and economic progress. Courtney C. Brown expressed this idea with glowing optimism: "These multinational corporations that have developed so quietly but so suddenly, may be the hoped-for force that will ultimately provide a means of unifying and reconciling the aspirations of mankind – a task which all the politicians have utterly failed to achieve."[9]

Notice that Brown speaks of unity, but a unity that has nothing to do with either national govern-

[8] Frank Tannenbaum, "The Survival of the Fittest," *Columbia Journal of World Business* (Mar.-Apr., 1968), p. 13.

[9] Courtney C. Brown, "A New World Symphony," editorial in *Saturday Review* (Nov. 22, 1969), p. 56.

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ments or the myriad proposals for global government. Instead, he is referring to the ideal of all peoples sharing in the rewards of free economic growth.

The spaceship earth reasoning, then, doesn't automatically lead us into slavery or disaster. It does not mean that we have to view society "as a vast army," or adopt a religious faith in centralized planning. Rather, it should help us see that, in a variety of important ways, individual initiative is making a dent in the problems we share with the rest of humanity. Multinational corporations have been successful because their personnel can "think world-wide"; they have managed to remove the analytic blinders that force so many of us to think only in terms of the nation. If the progress of these firms continues, it should help awaken people to the idea that there are better roads to prosperity than the creation of bigger and stronger governments.

IDEAS ON LIBERTY

It Still Pays to Trade

AS RICARDO pointed out, one nation can be more efficient in *every* category than another nation – and yet because of a comparative advantage, it is still profitable for the more efficient nation to trade with the less efficient nation. But how does one discover these comparative advantages among the various nations in today's world?

Well, first, it is necessary that you and I and everyone else can freely buy and sell and exchange the moneys of the two nations being compared. For when free exchange is permitted, then prices and wage rates in the two nations will tend to be based on reality instead of wishful thinking. And when trade is based on reality, *comparative* advantages are not hard to find. Select two jobs or two products that exist in both nations. Now examine the wage rates and prices paid in one of the nations for the jobs or products. Now compare the wages and prices for the *same* jobs and products in the other nation.

Unless the comparative substitution ratios are identical (highly unlikely), trade will occur between the two nations. Each nation will concentrate on the production of the item in which it has the greatest comparative advantage (or the least comparative disadvantage). Both nations will profit from this trade, even when one of them has an absolute advantage in producing both products.

DEAN RUSSELL, *Free Trade: Domestic and Foreign*

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Free enterprise, peace and plenty

EDWARD P. COLESON

IN ALL the strident chorus of gloom and doom so characteristic of our age, perhaps the loudest voices are shouting that global famine will soon be upon us – unless, of course, we smother in the smog or are blown to atoms by the Bomb before a more lingering and painful death can overtake us.

Indeed, two experts, William and Paul Paddock,[1] have told us flatly that world famine will catch up with us by 1975 and that the United States must make the awesome decision who will survive. They are certain that Haiti, Egypt, and India are already beyond help and hope. Others can be saved with our assistance, but the assumption is that we cannot afford to waste our relatively meager resources seeking to rescue nations that cannot be salvaged. The U.S. Department of Agriculture says approximately the same but sets the date of disaster at about 1985, fifteen years hence instead of a mere five.

Lest any of us take comfort from the fact that we do not live in India or Egypt and thus may escape their fate, we should remember that our outlook is not much more encouraging, say the experts. Jacques Piccard[2] recently told a scientific symposium that it is "seriously doubtful" whether the human family would survive till the year 2000 – a mere 30 years from now. The day of doom is upon us or so the experts tell us.

An integral part of our present pessimism is an obsession with

[1] William Paddock and Paul Paddock, *Famine–1975! America's Decision: Who Will Survive?*

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[2] Gordon Rattray Taylor, *The Biological Time Bomb*, p. 203.

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population problems. The population explosion, so we are told, is a greater threat than the Bomb. While the "teeming millions of Asia" frighten almost everyone, there are those who are telling us that the United States has a serious population problem even now and that we will soon have to start rationing the privilege of having children. "Spacecraft Earth" is becoming overburdened with people – that's what we are being told by the experts.

Now, may I say that all of these doleful predictions may come true? For instance, we might have a global atomic war followed by the plague, a recurrence of the Black Death. Such a series of catastrophes might well destroy civilization and seriously decimate the human family. But then we have been living with this threat since Cain slew his brother Abel.

During the Thirty Years' War a little more than three centuries ago, perhaps half the population of Germany was swept away – and, one might add, with very crude weapons, by our standards. Now suppose, given our better tools of destruction, that we wellnigh exterminated the human family and that a few miserable survivors reverted to barbarism as there is a great likelihood that they would do. Would this solve the population problem?

Population a Perpetual Problem

Actually, the human family has been living with a population problem almost from the beginning. America was saturated with Indians when Columbus arrived, although there are more people in any one of the several of our great cities than there were savages over the entire continent in 1492. Given their way of making a living, the country could hold no more. If a series of global disasters should reduce the population to barbarism and a small fraction of our present total, they would be worse off and feel the pressure of numbers more than we need feel it today.

A study of present population densities is quite revealing. India has only a few more people per square mile than Switzerland; several European countries and Japan show double that density. It may be granted that crude population densities do not tell the whole story, but they do have some significance. Certainly, part of these countries have as large a percentage of waste area and other natural handicaps as India. It seems amazing that the "experts" have not made these vital comparisons more generally known. Here are the latest figures for a few selected countries:[3]

[3] Edward B. Espenshade, Jr. (editor), *Goode's World Atlas*, 1970 edition, p. 189.

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Country	*Population per square mile*
Hong Kong	9,719
Netherlands	907
England & Wales	832
Japan	704
West Germany	625
India	422
Switzerland	379
United States	54
Canada	5

Another fascinating aspect of the population problem is the fact that interest in Malthus has fluctuated greatly since he wrote his little pamphlet on population in 1798. Although the publication of his work was greeted with a storm of protest from the utopians whose dreams he shattered, he soon convinced his contemporaries that the problem was really serious. As John Maynard Keynes told us after World War I:

> Before the eighteenth century mankind entertained no false hopes. To lay the illusions which grew popular at that age's latter end, Malthus disclosed a Devil. For half a century all serious economical writings held that Devil in clear prospect. For the next half century he was chained up and out of sight. Now perhaps we have loosed him again.[4]

In other words, Keynes is telling us that Malthus was in fashion from about 1800 to 1850 but that he and his population problems were forgotten in the latter half of the nineteenth century in spite of the fact they had a population explosion, too.

There are reasons for this change. As a delayed reaction to Adam Smith's teachings, England and, to a lesser extent, her European neighbors abolished their age-old mercantilist controls and went "free trade." By some happy chance this was just the time that the American farmers were opening up the West. A new plow that would break the prairie sod, the reaper, the railroad, barbed wire, and a host of other inventions and improvements suddenly made bread abundant and cheap. But for the opening up of European markets, however, this flood of grain would have resulted in an American farm problem instead of a boon to the poor working men of Western Europe.

To show the change that took place, it may be noted that an English laborer had to work five days in 1770 to buy a bushel of wheat, but his grandson could get one for two and a half days' wages in 1870.[5] This, of course, is half price – quite a reduction. Needless to say, the latter had a much better and more varied diet than his fathers before him. Now in 1970, another century later, the typical American worker could purchase two or three bushels of wheat with

[4] John Maynard Keynes, *The Economic Consequences of the Peace*, p. 8.

[5] Chamberlain, *The Roots of Capitalism*, p. 123.

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one hour's pay and many could buy a half dozen, if they were so minded.

This is a small sample of what has happened to the Western living standard in the last couple centuries. Life for the average worker is no longer a struggle for enough bread to keep the family alive, although he may have some problem keeping up the payments on his color TV set, his boat and, more recently, his snowmobile. If life is still a struggle, it is no longer for mere survival but for the "good life" as it is now defined.

Poverty Follows No Pattern

Unfortunately, the blessings of the Western revolution in science, technology, medicine, and our whole way of life have not spread as they should to the so-called backward areas, and there are even serious "poverty pockets" in our own midst. One of the most shocking experiences that an affluent American can have is to find himself suddenly out in a native village in some underdeveloped region of the world. Our American may consider himself poor, but he has no notion of what the word poverty means until he sees how the other half lives. Furthermore, allowing for differences in culture and climate, he is seeing how his own ancestors lived and not too long ago either.

Famines were once common in the West just as they still are over too much of the world today. This leaves us with the disturbing question why we have been unable to export progress. All parts of the earth have had contact with the focus of modern civilization, Western Europe and more recently the United States, since the period of discovery. In fact, Japan, which was closed to outside contact until a little more than a century ago, caught up with the West in a few giant strides while other lands with three or four centuries of contact with more progressive nations have languished and fallen behind.

Of course, some people explain the backwardness of much of our world in terms of exploitation by Western capitalists. But, if this accounts for Latin American problems, for instance, the same system should have condemned Anglo-America to poverty, since we were also European colonies. Businessmen have made money in the underdeveloped lands, but they have lost it, too, in large amounts and often without enriching the natives by their losses: nationalizing an industry commonly benefits no one but a few bureaucrats.

Nor is it possible to explain the difference between one country and another in terms of natural resources; few countries had less

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than Switzerland to start with and perhaps none has done better than the Swiss with what was at hand. Indeed, the several familiar explanations for the plight of the have-not nations have so many obvious exceptions that they prove little, although they may contain an element of truth.

Foreign Aid in History

We, the presumed affluent, are often accused of being indifferent to human need, both at home and abroad. This, again, is only part of the story. In addition to a long history of private charity, missionary endeavor over much of the earth, Herbert Hoover's relief efforts in Europe during and after World War I, and many others down to the present hour, we must not forget that the United States has launched two massive attacks on poverty on a global scale in the last half century, the first during the prosperous 1920's and the second since World War II.

We forget that foreign aid was not a recent invention. Following the First World War, having won the "war to end all wars," we then set out to abolish poverty. During the "Golden Twenties" representatives of American banking and brokerage firms wandered up and down the earth, tempting foreigners to borrow our money. We succeeded in loaning about $15 billion,[6] which does not seem like very much until we recall that this was approximately five times the annual Federal budget of that era – try five times Nixon's current budget for size, although this would not be comparable either.

According to Garet Garrett, at one time there were no less than twenty-nine representatives of American investment firms "soliciting a small Latin American country to make a bond issue in Wall Street." Later, when we wanted our money back, we were roundly abused and depicted as Shylock demanding our pound of flesh. This is hardly fair. As Garrett tells us further, taking us to a country bank before the Crash of '29 where some threadbare farm woman is depositing her butter and egg money:

> Fancy telling that woman at the "savings" window, who gets her money up in small bills from the deeps of an old satchel, that her dollars, multiplied ten times by the bank, will go to build ornaments for a grand boulevard in a little Latin-American country she never heard of, or to build workmen's houses in a German city better than the house she lives in.[7]

This is something we forget. Her pump was out by the barn and she had no plumbing or electric lights. She didn't know she was

[6] Garet Garrett, *A Bubble that Broke the World*, pp. 20-21. [7] *Ibid.*, p. 49.

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donating this money, but was trying to save a little for a "rainy day" or perhaps to educate one of the children or buy her family some little luxury, a convenience that they had long wanted. More recently, a lot of poor, hard-working Americans have helped foreign bureaucrats and potentates to buy Cadillacs and the like when the American contributors were hard pressed to keep up their payments on quite ordinary automobiles.

Certainly the "Forgotten Man" in America – the poor fellow who pays the bills both at home and abroad – has been as much sinned against as sinning. But this was only the beginning of sorrows. Following the Second World War, "having learned nothing and forgotten nothing," we proceeded to do more of the same through our global foreign aid program, now mostly under government auspices. I have sought signs of its success when I have been abroad; but my foreign friends as well as Americans on the ground have told me that it was all a big mistake and that most of the money has been wasted. Still, the programs go on and will no doubt continue, like those of the boom years before 1929, until national bankruptcy terminated them.

Anyone who has lived where poverty really hurts, either at home or abroad, can understand the feeling that something must be done. With the gap between rich and poor allegedly widening year by year, and with revolutions breaking out on every hand, obviously something must be done and at once. It is easy to understand why concerned and well-meaning people are wringing their hands and insisting that our foreign aid efforts, massive as they seem to many of us, are only "band aid" programs which must be expanded on a colossal scale until they begin to do some good. Indeed, a few years ago, the famous British periodical, *Punch*, carried an article advocating a "scientific" and systematic war on global poverty in which

> . . . the rich countries would be required to surrender a proper fraction of their productive resources to an international body charged with the duty of assisting the economic programmes of the needy nations: progressive taxation at the international level.[8]

It is easy for the unsympathetic reader to dismiss such a proposal as preposterous; but those of us who have been out where people live perpetually on the brink of disaster, where a minor crop failure may result in starvation, see the urgency of the problem, even if we don't consider the *Punch*

[8] *Punch*, Sept. 28, 1966.

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proposal as desirable or workable.

Unfortunately, there are a lot of good people of conservative leanings who, while they decry socialist schemes, do not see a free enterprise alternative to these programs. They are mostly negative. They should remember that tremendous progress also took place in the nineteenth century when laissez faire was in fashion. This is when the United States developed from a backward country to a wealthy, powerful nation which has recently carried so much of the world's burdens in war and peace.

Private International Finance

It is well to remember that Britain went through its own cycle of development a few years before we did. Germany followed us, and Japan has come along quite recently. Strangely, a lot of this happened before presidents had economic advisors and before such questions were an official concern. We must not forget that much of this rapid, even explosive, economic development took place in an era of relatively open international markets and when it was still easy and fairly safe to invest money anywhere in the world.

For decades during the Victorian era English investors put their money in assorted ventures all over the world and in great amounts. To the extent that these paid off, the British businessman tended to reinvest in other projects that he discovered as he cared for his international commitments. A dozen years ago Richard M. Nixon called attention to the fact that the United States would have invested $30 billion abroad in 1958 instead of the trifling $4 billion we did lend, had we invested at the rate proportionately that the British did in 1910.[9] England invested a lot of money in the New World on both continents. In addition to heavy investment in the United States in the last century, she rolled out a railroad across the Argentine pampas and took beef in return.

What an enormous benefit we could have bestowed upon the earth if we had invested that $30 billion and more year by year in sound projects that gave returns which were then reinvested.

Unfortunately, we have not yet come to understand international finance, a tragedy for both us and the world. It is true that conditions were more favorable for international investment during the Victorian era of sound money, open markets, and reasonably responsible foreign governments. But have we worked for the restoration of order and stability in inter-

[9] Richard M. Nixon, *The Challenges We Face*, p. 73.

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national economic relations in the last half century, particularly when we had the resources to do it? The attitude rather seems to be, " 'Tis better to have loaned and lost than never to have loaned at all."

Returning to Malthus and global famine, it is interesting to note that the old mercantilist world of the 1790's, with its controls and regulations which impeded progress and reduced output, had a population problem. As men moved into the Victorian era with its open markets and full production, somehow the problem of human need diminished in magnitude although, of course, it never disappeared. It is well to remember also that there were no great wars in Europe from 1815 to 1914, which may be more than a coincidence. One may ask also if the return to agricultural restrictions, tariffs, quotas on foreign trade, and a multitude of other combinations in restraint of both production and trade may not have something to do with global famine today as well as our epidemic of wars. Is not our Neo-Malthusianism now a consequence of our neo-mercantilism?

A distinguished English land-use expert, L. Dudley Stamp,[10] estimates that the world could hold ten billion people instead of the trifling three and a half billion now on earth, provided only that we had full production and open markets and without going to any strange new diets such as seaweed. Another Englishman, Colin Clark,[11] places the capacity of this planet at 28 billion, assuming only that we all did as well as the people of the Netherlands. Perhaps this is asking too much, but if the rest of us could manage even to do half as well as the Dutch, this still adds up to 14 billion or four times the present world population.

Granted, the world population cannot mount indefinitely and no doubt India should stabilize her population and shoot the sacred cows as swiftly as possible, consistent with good common sense and respect for the opinions of others. However, why place all the burden of change on India, when we, too, have some "sacred cows" that need shooting? Have our seventeenth century mercantilist practices become to us more sacred than life itself? According to Frederic Bastiat, "When goods do not cross frontiers, armies will." Should not our war-weary age consider open markets as one possible path to peace and world prosperity?

[10] L. Dudley Stamp, *Land for Tomorrow*, p. 219.

[11] Arthur McCormack (editor), *Christian Responsibility and World Poverty*, p. 135.

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PAUL L. POIROT

A Monopoly

—AND HOW TO BREAK IT

THE NATIONAL ASSOCIATION of Letter Carriers has offered the people of the United States a cogent lesson in how to break a monopoly: Simply refuse to work for the monopolist!

It's a sad day in the "land of the free" when it comes to that: one monopolist squaring off against another to determine who shall rule. But there's no further dodging the facts. The United States today is not a land of the free. The United States Postal System is a gigantic monopoly. So is the Letter Carriers' union. Both are typical institutions of the Welfare State — or whatever else one chooses to call coercive collectivism. These are simply the forms that government takes when it becomes the instrument for plundering peaceful persons instead of protecting their lives and property.

A government that takes its orders from its letter carriers — those it puts in uniform to pass out relief checks and other goodies to the populace — is in grave danger of toppling. Other men in uniform must soon grasp the idea. It is a short step indeed from a letter carriers' strike to a general taxpayers' revolt. And who ever heard of a viable government that couldn't collect taxes?

The Ides of March 1970 strike by postal employees has ended, but

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the lessons it affords remain to be learned and remembered.

"Business" by Coercion

The first lesson: *Monopoly is a bad form of business.* To be more precise, monopoly is a form of coercion rather than a businesslike attempt to satisfy customers. Let us not compound the confusion by referring to the United States Post Office as a business; it exists and operates exclusively upon the principle of coercion. Anyone refusing to use its facilities and deliveries is nonetheless compelled to help pay for them. Nor may anyone legally compete against the Post Office to render mail delivery service for willing customers.

Aside from this coercive intervention, there is no reason why mail delivery could not function like any other business, with open competition to determine who can best serve willing customers and determine how the job can be done with optimum use of scarce resources.

It needs to be added, perhaps, that a competitive postal business could not function effectively today if it were prohibited from using any means of transportation other than horse-drawn vehicles. Such a condition would simply be another form of monopoly, a grant of special coercive power to horses. By the same token, a competitive postal business cannot function effectively if confined to hiring from the closed membership of the National Association of Letter Carriers, the strength of which depends upon a monopoly of coercive power granted and upheld by the government.

A Perversion of Government

The second lesson: *Establishing monopolies and defending them is an improper function of government.* It should take no more than a second — or a second thought — for any person of good will toward his fellow man to realize that he stands a better chance of survival with no organized police force at all than under a force dedicated to plunder.

This is no appeal for anarchy. Excessive and growing governmental activity tends to discourage many devotees of the free market. And an increasing number of them assume illogically that the only corrective is no government at all — philosophical anarchy.

A logical case against government might be made if one believed that all men have perfect understanding plus the ability and the inclination to behave properly under all circumstances. Nor would government seem feasible if all men were presumed too evil to be trusted with policing powers.

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If one believes, however, that men, though usually reasonable, are also capable of acting injuriously toward others and are prone to try it upon occasion, it then seems logical to defend oneself against this evil tendency. Thus, reasonable men will try to codify their rules of conduct, to "raise a standard to which the wise and honest can repair," and to organize their defensive forces to constitute the government of their society. Its sole, logical purpose would be to suppress any outbreak of violence, fraud, or coercive threat against the life or property of any peaceful person.

How Competitive Private Enterprise Serves Consumers

What we may learn, then, from the Letter Carriers is that open competition is far more likely than a monopoly to satisfy the wants of peaceful persons anxious to earn what they receive from others. And we may learn that the serviceableness of government to men of good will depends upon its limitation to a defensive function and a refusal to grant or to support monopoly privileges for any person or group.

To speculate on how the mail might be delivered by private enterprise, if anyone were free to try, would be foolish. No one now can possibly imagine what innovations might spring from the unrestricted imaginations of everyone in search of better ways to serve consumers. All that is required is a sufficient faith in the free market to abolish the government's present postal monopoly and open the door to competitors.

As for any dissatisfied letter carrier, he ought to be free to seek better employment opportunities anytime he chooses. There's no point in trying to hold a man to a wage contract if he thinks the wage is inadequate. Nor is there any point in putting him on pension or relief or unemployment compensation if he quits one job before he has another or better source of livelihood. Nor should anyone be under obligation to hold open for him the employment opportunity he has rejected; let other willing and capable applicants fill such positions at whatever wage is mutually agreeable to employer and employee. Repeal the minimum wage and other work laws that now prevent women and children, and perhaps some men, from earning as much as they are worth at delivering letters or otherwise serving willing customers.

Abolish these monopolies, open the market to competition, protect the lives and property of peaceful persons instead of granting the special privileges sought by some

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at the expense of others. Let government attend to its proper function, and there need be no concern whatsoever about handling the mail in a businesslike manner, without strikes, slowdowns, breakdowns, or other senseless and interminable disruptions.

Other Areas of Application

Once we learn that mail delivery is the business of business rather than of government, perhaps the lesson may also be applied in other areas now largely monopolized such as hospital service and medical care, education, certain branches of agriculture, various aspects of transportation and communication, some cultural and recreational facilities — yes, even those remnants of protectionism that still hang on to give all business activities a bad image.

But, if citizens persist in demanding of government all sorts of services for which police power is unnecessary and incompetent, then more and more chaos such as the postal strike may be expected. And if history tells us anything, we ought to know that the people, in desperation, eventually will turn to a dictator to restore order.

IDEAS ON LIBERTY

The Myth of the Post Office

THE MYTH of the Post Office Department — that its reason for being is the service it renders the public — is grounded in a well-advertised generality; that which can best be done collectively should not be done privately. That, however, begs the question. Why is the transmission of private messages peculiarly a government function? How can we know that public operation is superior when private operation is prevented by the threat of punishment? And, if the postal business is best promoted as a collective instrument, must this instrument be implemented with police power, or could it be carried on by a private concern, paying for the privilege on the basis of bids and depending only on public patronage for its livelihood? These are questions which the deficit-paying stockholders have a right to ask.

FRANK CHODOROV

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CLARENCE B. CARSON

Throttling the Railroads

2 Aiding the Railroads 1830-1871

THE BUILDING of the railroads in the United States was done almost entirely between 1830 and World War I. Such building as has been done since has consisted mostly of double-tracking, shortening routes, and building bridges. The first stage of railroading falls between the years 1830-1871, for in this period there was considerable governmental (Federal, state, and local) aid extended to get the building done. It did not entirely end in 1871; earlier grants were still available to some lines, but at that point governments turned their attention from aiding to regulating, restraining, and controlling the railroads. Animosity began to replace sympathy toward them. From the early 1830's into the 1850's most of the direct aid and efforts to facilitate their building came from state and local governments. After that, the Federal government became deeply involved in fostering railroad building. Since this early involvement had its effects and left a legacy, it will be well to examine into the whys, wheres, and consequences of it.

It is not apparent why governments became as involved as they did in early railroad building. The first decade or so of this activity coincided with the Age of Jackson. The main thrust of the Jacksonians was against special privileges to certain groups, against government aid for internal improve-

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ments, and in favor of leaving economic activities to the private initiative of the people. Jackson and most of his Democratic successors were concerned with disengaging government from the economy. One might suppose, then, that railroad builders would have been left to their own devices.

So they might have been if many of the Jacksonians had had their way. But the Jacksonian ascendancy was never so complete, nor were his Democratic followers so completely persuaded of the advantages of *laissez-faire*. In any case, theirs was a great wave going counter to the still deep-running tide of mercantilism. The Jacksonians (or Democrats) made up only one of the two major political parties of the time. The other party consisted of Whigs, and they were favorably disposed toward such mercantilistic carryovers as government appropriations for internal improvements, the granting of monopolies, and such like.

States and local governments had long been accustomed to chartering roads, bridges, banks, and other types of semiprivate undertakings. Moreover, the early effort of the Jacksonians appears to have been aimed more at getting or keeping the Federal government out of such activities than changing state policies. The principle was by no means established that government should not intervene in economic activities. If there was a going principle, it was more nearly the one that government at some level should aid, at the least by granting a special charter and frequently by actually subsidizing, in developing transport.

Thoroughfares of Sorts

Early aid to the railroads becomes more readily understandable when they are considered as analogous to highways and waterways. Highways and waterways were usually thoroughfares, open to traffic of all comers, though tolls might sometimes be charged. Governments usually fostered thoroughfares in one way or another: sometimes building roads and canals, chartering them, granting them monopolies, and favoring them with the use of the power of eminent domain.

Railroad tracks were never thoroughfares to any extent; from first to last traffic on them was either monopolized or controlled by a single company. Yet they received many of the aids which thoroughfares received. Looking back on it, one may wonder why they were not treated as private undertakings, as factories were. The answer, in part, is that there was no tradition for roads to be treated in this way, and that rail-

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ways were early conceived on an analogy with thoroughfares. They were something lying somewhere between a public thoroughfare and a private facility. Much mischief has followed from the ambiguity of this conception.

Of course, government aid to railroad building did not occur simply because of confusion about the nature of railroading. It may, indeed, have been the other way around: the nature of railroading may have been confused to facilitate government aid. At any rate, governments aided railroads because politicians perceived some advantage to be gained by such promotion. Sometimes that advantage was personal and direct, as when they received stock or other emoluments from promoters; at other times, it may have been indirect by way of facilities gained for some portion or all of their constituencies. Merchants, tradesmen, manufacturers, farmers, and what have you, wanted a railroad to and from their communities. The city fathers of one town wanted to gain for their locale a favorable position *vis à vis* their competitors elsewhere. Much of the history of railroads and government intervention can only be correctly construed in terms of commercial rivalries, competing locales, and the pulling and hauling between them for advantage. Those involved frequently turned to politicians to get them to use government to better their position. Since these contests are a major part of the context of the story from first to last, it will be useful to introduce them at this point.

Not all towns, nor all locales, nor every region, had the same interest in or pressing need for railroads. The political pressures were not equalized over the country. The topography varied; the population was unevenly distributed; and political advantage from promoting railroads was much greater in some areas than others. Government aid to railroads needs to be understood, then, within the historical and geographical background of these disparities.

A U.S. Common Market Tempts Government Aid

These United States became potentially a great common market with the ratification of the Constitution of 1787. States were generally forbidden to place obstacles in the way of commerce. This potential market had been extended far beyond the Appalachian Mountains by the Treaty of Paris of 1783, by the terms of which Britain recognized the Mississippi River as the western boundary of the United States. The bounds were extended all the way to the

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Rocky Mountains in 1803 by the Louisiana Purchase.

The key to the commercial opening up of this vast trans-Appalachian territory was transport. Who would receive the greatest benefit from such commerce as might develop would depend upon where the terminals of the trade routes were located. Thus it was that government aid for internal improvements, as road building and such like were then called, rather quickly became a major political issue. It was a heatedly debated national issue from the early years of the nineteenth century down to 1830, when Jackson virtually brought such Federal projects to a halt by his veto of the Maysville Road Bill.

Part of the impetus to finding ways to funnel the commerce from the American interior to the East Coast can be explained by the location of the bulk of the population and the character of the cities. According to calculations from the census of 1800, the population center of the United States was only a few miles south and west of Baltimore, Maryland. Most towns of any size were port towns, and, with the exception of New Orleans which was not then in the United States, these were all east of the mountains, on or near the Atlantic. The major port cities were Boston, Newport, New York City, Philadelphia, Baltimore, Norfolk, Wilmington, and Charleston.

To Save the Cities

The future growth and dominance of these cities was placed in jeopardy by the acquisition and opening up of the territory beyond the Appalachian Mountains. Particularly was this true of the port cities from Baltimore northward. These had a narrow coastal hinterland to draw from within their own states or locales; the tidewater did not run far back, and mountains were relatively close to the sea. New York and Philadelphia were then the metropolitan centers, but anyone looking into the future would probably have predicted that they, along with other East Coast cities, would be dwarfed by cities in the Mississippi Valley which would send produce from that vast area to the rest of the world.

New York State, Pennsylvania, and Virginia had more pressing reasons than the other states to be concerned with the Appalachian barrier. Each of these states had considerable territory beyond the mountains within their boundaries. This situation was of greatest concern in New York and Pennsylvania. Most of New York lies west of the mountains, and Pennsylvania is cut in two by the

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Alleghenies. These states had internal political and economic reasons for trying to find commercial routes across the mountains in addition to the interests of the coastal cities. Both New York and Pennsylvania built thousands of miles of improved roads in the first three decades of the nineteenth century. Other areas induced the Federal government to undertake the construction of a national turnpike to connect the East with the Midwest.

All this flurry of building had little discernible effect on the flow of commerce. Many of the improved roads were commercial flops; it was still less expensive to float goods down the river from Pittsburgh to New Orleans than to haul them in wagons over the mountains. The steamboat opened up new possibilities for the use of the Ohio, Mississippi, and their river tributaries; by its use goods could not only be shipped downstream but upstream as well. The American cities of the future would probably be St. Louis and New Orleans, with lesser centers at such places as Pittsburgh, Cincinnati, and Memphis. A look at a topographical map of the United States should confirm that this was the most likely prospect.

If the traffic in goods had followed the course of the great interior rivers, if it had flowed from the Midwest into the Mid-South as it bade fair to do, the history of the United States would undoubtedly have been altered. If energy had been concentrated on making the rivers safer, if access to them had been opened up by roads, canals, and smaller streams, they might have served well for an extensive transport. It may be too much of a speculation to think that such a linkage between North and South would have forestalled a civil war. Certainly, the peoples would have been bound closer together by this dependency. Of course, it did not work out that way.

The Canal Era

American ingenuity, eastern interests, the accident of state boundaries traversing the mountains, the concentration of population on the eastern side of the mountains with its determinative role in the use of political power, combined to produce a different result. The first major breakthrough in the effort to link the Midwest to the Northeast commercially was the Erie Canal. This canal was projected and built by the government of the state of New York to link Lake Erie to Albany by water. From Albany, traffic could readily flow down the Hudson to New York City. The building of the Erie was an amaz-

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ing engineering feat in its day. It was completed during the 1820's, and became very quickly a commercial success. It is not too much to say that at the time New York City was saved as the leading port in the United States by the Erie Canal.

Not so, of course, the other port cities of the East; their prospects were dimmed by New York's triumph. So it was that the rush was on in other states to build canals, with similar triumphs envisioned. None of these undertakings was more ambitious than the one in Pennsylvania. It was to connect Pittsburgh with Philadelphia, providing a much shorter route than the one in New York to the Midwest. Unfortunately for Pennsylvanians, the topography between the two points was ill-suited to canal building. Undaunted by this, builders went ahead with the project. This is how they did it:

> From Philadelphia a railroad traversed the eighty-one miles to Columbia on the Susquehanna. From Columbia a canal ascended the Susquehanna and then traveled westward along the Juniata to Hollidaysburg, where the Allegheny ridge 2,291 feet high had to be surmounted. The device chosen was the Allegheny Portage Railroad, which mounted each side of the ridge with five inclined planes interspersed with level stretches. Stationary engines pulled the vehicles up the inclines; horses pulled them on the level tracks. In this fashion cars or cradles with canal boats were raised from the Juniata and finally let down on the other side into the Conemaugh at Johnstown, whence a canal continued along the routes of various rivers to Pittsburgh.[1]

Even after such an effort, it was not attended with much success in attaining its object. Most of the Midwestern traffic still went by way of the Erie. There was much more canal building, however. A Chesapeake and Ohio canal was projected to link Virginia and Maryland with the Ohio River, but it was never completed. Several Midwestern states sunk large amounts of funds into canal building in the 1830's and 1840's. Indeed, some of them extended their credit so far that when the depression came they forfeited payment or went bankrupt. These failures considerably dampened the enthusiasm in some states for government ventures in subsidizing transportation facilities, and proponents of *laissez-faire* were strengthened.

The Urge to Subsidize

But if there was ever a notion that dies hard (that is, does not die), it is the notion that govern-

[1] Edward C. Kirkland, *A History of American Life* (New York: Appleton-Century-Crofts, 1951, 3rd ed.), p. 236.

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ment should subsidize or otherwise sponsor some industry or undertaking. It dies hard because there are those ready to hand to benefit personally from such aid and who will use their ingenuity to bring forward reasons that will convince the public of some general benefit forthcoming. So it was, at least, with transportation.

The era of canal building was not over before the era of railroad building began in earnest. Nor can it be said that overmuch had been learned from the debacles in canal building following upon government involvement. For cities on the East Coast, the railroad offered the possibility of competing with New York City in tapping the Midwest. The railroad might do for Philadelphia and Pennsylvania what their canal had not. Thus it was that during "the period 1840 to 1853, the city and county governments in Pennsylvania contributed about $14 million to railways. Philadelphia alone incurred a debt of over $8 million, about $20 per person, for railways. In 1852, $6,750,000 of the Pennsylvania Railroad's total capitalization of $9,876,000 had been contributed by local governments."[2]

Governments in other states engaged in some of the same kind of activity. The "merchants of Baltimore had conceived the . . . ambitious enterprise of a railroad across the Allegheny Mountains to the Ohio River. Private subscriptions to its shares having proved inadequate to its financial requirements, resort was had to the city of Baltimore and to the state of Maryland, whose credit therefor was utilized to the extent of $5,000,000."[3] Even New York State inhabitants were soon worried by the railroad, for that mode of transport soon demonstrated its general superiority over canals and inland waterways (not by cheaper rates but because of schedule predictability and year round use). "By 1840, the state of New York had granted its credit in aid of railroad companies to the amount of nearly $4,000,000, and eventually the aid of this character from the state and from counties and municipalities reached the sum of $40,000,000."[4]

Some of the early eastern lines were actually state projects. "In Pennsylvania two of the earliest lines in the state, the Portage Railroad and the Philadelphia and Columbia, were constructed with

[2] Gilbert C. Fite and Jim E. Reese, *An Economic History of the United States* (Boston: Houghton Mifflin, 1965, 2nd ed.), p. 199.

[3] Henry S. Haines, *Problems in Railway Regulation* (New York: Macmillan, 1911), p. 178.

[4] *Ibid.*, p. 181.

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state money, as was the strategically located Western and Atlantic in Georgia."[5] More common, however, was financial assistance from states or municipalities to otherwise private building. One historian sums up government aid in the East in this way: "The Western Railroad in Massachusetts, the Erie in New York, the Baltimore & Ohio in Maryland, and most of the railroads in Virginia were among the rail recipients of state assistance."[6]

Several Midwestern states also assisted railroad building extensively. Ohio adopted a law which committed the state to furnish one-third of the capital for any railroad company. "In 1837, the state of Illinois appropriated over $10,000,000 to public improvements; a debt of $34.10 for each person in the state. . . . In 1838, the state made an additional appropriation of $9,000,000. . . . Missouri spent over $30,000,000 with only $6,000,000 of assets to show for it; Michigan incurred an immense liability without adequate security. . . ."[7]

States aided railroads in other ways than by subsidies and loans. As a general rule, railroads were, at the least, chartered by states. Sometimes these charters included monopoly privileges. In some instances, exemptions from state taxes would be granted, and they were usually given privileges in the use of eminent domain for the acquiring of land. It is safe to say that virtually all the railroad trackage laid in the country was laid in consequence of some special privilege not granted to all enterprises.

States Rush in Where Individuals Fear to Tread

At the same time, it needs to be emphasized that there were great differences in the character and extent of this aid. Much, probably most, extended only to chartering and allowing the railroads to acquire land by eminent domain. Of the rest, there were some loans, land grants, and monetary grants — each of these quite different in character. As to financing, this judgment is undoubtedly correct: "Most of the money for the early railroads came from private investors."[8]

Even so, such government aid left some unpleasant consequences in its wake. Government aid was extended on the grounds that private investors would not put up sufficient money for building the roads at the time. The meaning of

[5] John F. Stover, *American Railroads* (Chicago: University of Chicago Press, 1961), p. 30.

[6] *Ibid.*, p. 31.

[7] Haines, *op. cit.*, pp. 181-82.

[8] Stover, *op. cit.*, p. 31.

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this is that men who have money to invest do not judge such building to have the best prospect for returns, that money can be better used elsewhere. Though private investors may be wrong, they are the experts in the field. Governments are betting against the field when they put up money. Even if government ventures are superficially successful on occasion, the success is frequently marred by unwanted consequences.

In any case, the state aid to railroads proved to be the wrong way to get them built. One historian sums up the results to the midpoint of the nineteenth century: "The experience of . . . states with government-sponsored internal improvements – the Erie being the sole exception – had ended disastrously."[9] Another writer notes that "there was a good deal of fraud and corruption in connection with state aid to railroads, and in later years a number of states repudiated some of their obligations made in connection with railroad construction. Because of the corruption involved and because of the heavy tax burden the people were asked to bear to meet the states' promises, it later became common for state constitutions to prohibit the investment of state money in any private enterprise."[10]

It often turned out that what was not a good investment for private investors was not a good one for governments. But that is not the whole story. Government investment made such railroad building politically determined rather than economic, turned over the funds to the cleverest lobbyists on occasion rather than to those likely to provide sound management, led to building at times and to places that would not then be justified, and sometimes saddled these premature undertakings with large debts. By reserving the right to regulate in charters, and by giving aid, states set the stage for intervention and made the status of the railroads before the law ambiguous.

Federal Entry in 1850's

The debacle wrought by state intervention did not long deter the Federal government from entering the field. The Federal government began the move toward subsidizing in the 1850's, and then with Southern representatives out of the Congress during the Civil War plunged headlong into sponsoring railroad building. Though some land grants were made in some of

[9] Robert S. Hunt, *Law and Locomotives* (Madison: State Historical Society of Wisconsin, 1958), p. 38.

[10] Russell E. Westmeyer, *Economics of Transportation* (Englewood Cliffs: Prentice-Hall, 1952), pp. 47-48.

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the states of the Midwest and South, the most extensive Federal aid was given to the transcontinental routes. Hence, attention can most profitably be focused on them.

The background to the transcontinentals is this: The United States acquired California from Mexico in 1848. A couple of years before, title to the vast Oregon country had been made certain by treaty with Britain. Almost immediately proposals began to be made in Congress for the building of a railroad to the Pacific. There were two main reasons for the matter to come before the national government. A transcontinental railroad would have to go through territory not then organized into states, territory over which the United States government had sole authority. Secondly, it was a project of such dimensions that there was little hope that the states standing to benefit directly from it would undertake its construction. The location of the route for such a road was a political issue for most of the 1850's. The pressure for a southern route led to the Gadsden Purchase in 1853, and that for a Midwestern one led to the Kansas-Nebraska Act of 1854. Even so, no project was actually authorized until the war was well under way.

With the South out of the Union, Congress authorized a transcontinental railroad that would have its eastern terminus in the Midwest. Two companies were to build railroads – the Union Pacific and the Central Pacific. To facilitate such building, the government granted lands, made some loans, and enabled them to borrow money with government backing. Subsequently, lands were granted and aid given for the building of other transcontinentals, the most extensive for the Northern Pacific Railroad.

Clarifying Some Facts

It is important, again, that the extent and character of this aid be made clear. Historians, and others, have frequently exaggerated the extent and implied that the railroads got great benefits at the expense of the rest of the country. It is much to the point that the lands granted were worth little to nothing on the market at the time they were granted. The railroads built through them greatly augmented their value. The lands were parceled out so that the company got one section and the government kept one in alternating parcels. Thus, the benefits from the appreciation of land values due to the railroads were apportioned between the roads and the government. In the case of loans, they were largely repaid in one way or

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another over the years (with interest). Nor were the Federal land grants extended to most railroads. "Such grants were made in aid of a total of 18,738 miles of railroad line—less than 8 per cent of the total mileage of railroads built in the United States."[11]

Even so, it does not follow that such aid as was given was prudent, and it is certain that there were ramifying consequences which few would have willed. The biggest scandal that occurred involved the building of the Union Pacific Railroad; the events surrounding this will give an indication of some of these consequences.

The Union Pacific was assigned the task of building the road from the Midwest westward to junction with the line being built eastward by the Central Pacific. To facilitate this building, the Federal government granted lands, authorized the use of timber and fill dirt from the public domain, and provided loans by way of government bonds. Initially, these loans were to be secured by a first mortgage against the railroad, but they were later reduced to second mortgage status. Congress required that at least minimal investments be made from private funds before the undertaking should get under way.

Crédit Mobilier

One might suppose that with all this aid, private financiers would have adjudged the Union Pacific to be a good investment. They did not. The government bonds could only be disposed of at a considerable discount. One of the men involved testified that there were "very few capitalists who had faith enough in the successful prosecution of the undertaking to feel it was safe to invest a dollar in the bonds, or even to take the notes of the company, with bonds as collateral, at 60 cents on the dollar without a large commission." Moreover, as a recent study points out, "the market situation of the Union Pacific's stock was even weaker than that of the bonds. John Duff asserted that Union Pacific stock could not be sold 'except to people who would take a risk as they would at a faro-bank.'"[12] True, much of this testimony was self-interested, but other indications are that the future earnings of the Union Pacific were not then viewed as such that heavy investment was warranted.

Even the directors of the company plowed most of their invest-

[11] Robert S. Henry, "The Railroad Land Grant Legend in American History Texts," *Issues in American Economic History*, Gerald D. Nash, ed. (Boston: D. C. Heath, 1964), p. 324.

[12] Robert W. Fogel, *The Union Pacific Railroad* (Baltimore: The Johns Hopkins Press, 1960), p. 76.

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ment into a construction company – Crédit Mobilier – rather than the Union Pacific. They clearly judged that if there was profit to be made, it was from construction rather than from operating the railroad.

An exposé of Crédit Mobilier began in 1872 with the publication of damaging letters in the New York *Sun,* and the matter was brought to national attention by a Congressional investigation. There were two facets to this scandal. The one that probably made the biggest impact at the time was that several members of Congress had bought stock in the construction company at par value. The stock turned out to be worth much more. It was charged that the stock had been sold to them at this price in order to influence votes. The other was that the well-situated directors of the Union Pacific had made an inordinate profit from construction, leaving the parent company in bad financial condition. It is the burden of a recent study to show that the profits were not exorbitant in view of the risks.[13] More importantly, this study indicates that even if the construction company had charged much less for construction, the Union Pacific would still have been too deeply in debt to make a go of it. The discounting of stocks and bonds made the enterprise too costly in the first place. Secondly, "it was the unbearable weight of its obligations to the government that finally forced the road into receivership in 1893."[14]

A Trail of Disaster

Premature railroad building induced by government grants left a trail of disaster in its wake. The ramifying consequences are too extensive to be gone into in detail here. They can only be partially suggested. Government aid fostered a boom in railroad building that extended beyond those railroads receiving it. There was overbuilding in some areas; many roads were left in shaky financial conditions; there were bankruptcies. Hapless settlers were lured by government and railroads to buy farms in the semi-arid West; many would return eastward after years of failure. Unscrupulous financiers moved into railroading, sometimes made their quick profits, then left the railroads in disarray. Boom towns founded on some illusive prospect of wealth or future greatness were hurriedly built, only to be deserted when the bubble burst. Nor should it be forgotten that the wholesale slaying

[13] See *ibid.,* passim.

[14] *Ibid.,* p. 88.

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of the buffalo and the destructive Indian wars of the 1870's were offshoots of the railroad boom, along with the influx of homesteaders that disrupted ranching. There is every reason to believe that America would have had such a railroad system as was needed and could have been afforded without the government aid and without the manifold infelicities that accompanied premature building.

Indeed, most of the railroad track in the country was laid after governments had withdrawn all but minimal aid in nearly all cases. In 1870, there were only 52,000 miles of track; by 1910, it exceeded 200,000 miles. The Federal government did not make new land grants after 1871, though some of those already granted continued to be appropriated. In the 1880's some of the lands conditionally granted began to be reclaimed by the government.

The railroads generally survived the effects of government aid for premature building. Builders continued to build; systems were knit together; many private entrepreneurs learned to operate them so as to provide profit for investors and benefits to consumers. Service was greatly improved in the latter part of the nineteenth century and rates were brought down. Goods from the far corners of the United States flowed into cities and American ports and thence all over the world.

Governments began to change their policies, too, though it was hardly for the better. They were barely done with fostering premature building with its unwanted consequences when they turned to harassment. Indeed, there had been some harassment by local governments from the beginning, but the pace quickened in the 1870's, and it was only another decade before the Federal government would turn its restrictive power on the railroads. It is time now to explore this about-face.

Next: The Thrust to Regulation

IDEAS ON LIBERTY

Limited Government: Unlimited Opportunity

HISTORY SHOWS that great general prosperity occurs only where something approaching a free economy has been reached, and that prosperity always diminishes as government economic regulation increases. A free economy alone offers unlimited opportunity to all.

THOMAS H. BARBER, *Where We Are At*

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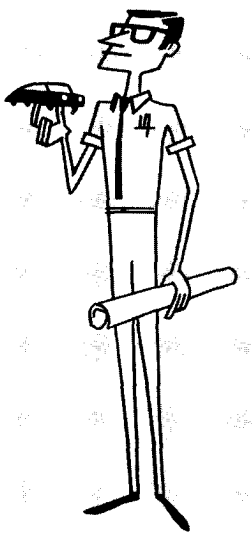
LUDWIG VON MISES

The ELITE Under Capitalism



A LONG LINE of eminent authors, beginning with Adam Ferguson, tried to grasp the characteristic feature that distinguishes the modern capitalistic society, the market economy, from the older systems of the arrangement of social cooperation. They distinguished between warlike nations and commercial nations, between societies of a militant structure and those of individual freedom, between the society based on status and that based on contract. The appreciation of each of the two "ideal types" was, of course, different with the various authors. But they all agreed in establishing the contrast between the two types of social cooperation as well as in the cognition that no third principle of the arrangement of social affairs is thinkable and feasible.[1] One may disagree with some of the characteristics that they ascribed to each of the two types, but one must admit that the classification as such makes us comprehend essential facts of history as well as of contemporary social conflicts.

There are several reasons that prevent a full understanding of

[1] See Ludwig von Mises, *Human Action* (New Haven, Conn.: Yale University Press, 1949), pp. 196-199.

Dr. Mises, retired from active teaching, is a part-time advisor, consultant, and staff member of the Foundation for Economic Education.

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the significance of the distinction between these two types of society. There is in the first place the popular repugnance to assign to the inborn inequality of various individuals its due importance. There is furthermore the failure to realize the fundamental difference that exists between the meaning and the effects of private ownership of the means of production in the precapitalistic and in the capitalistic society. Finally, there is serious confusion brought about by the ambiguous employment of the term "economic power."

Inborn Inequality

The doctrine that ascribed all differences between individuals to postnatal influences is untenable. The fact that human beings are born unequal in regard to physical and mental capacities is not denied by any reasonable man, certainly also not by pediatrists. Some individuals surpass their fellow men in health and vigor, in brain power and aptitude for various performances, in energy and resolution. Some people are better fit for the pursuit of earthly affairs, some less. From this point of view we may – without indulging in any judgment of value – distinguish between superior and inferior men. Karl Marx referred to "the inequality of individual endowment and therefore productive capacity (Leistungsfähigkeit) as natural privileges" and was fully aware of the fact that men "would not be different individuals if they were not unequal."[2]

In the precapitalistic ages the better endowed, the "superior" people, took advantage of their superiority by seizing power and enthralling the masses of weaker, i.e., "inferior" men. Victorious warriors appropriated to themselves all the land available for hunting and fishing, cattle raising and tilling. Nothing was left to the rest of the people than to serve the princes and their retinue. They were serfs and slaves, landless and penniless underlings.

Such was by and large the state of affairs in most parts of the world in the ages in which the "heroes"[3] were supreme and "commercialism" was absent. But then, in a process that, although again and again frustrated by a renascence of the spirit of violence, went on for centuries and is still going on, the spirit of business, i.e., of peaceful cooperation under the principle of the division of labor, undermined the mentality of

[2] Critique of the Social-Democratic Program of Gotha (Letter to Bracke, May 5, 1875).

[3] Werner Sombart, *Händler und Helden* (Heroes and Hucksters) (Munich, 1915).

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the "good old days." Capitalism – the market economy – radically transformed the economic and political organization of mankind.

In the precapitalistic society the superior men knew no other method of utilizing their own superiority than to subdue the masses of inferior people. But under capitalism the more able and more gifted men can profit from their superiority only by serving to the best of their abilities the wishes and wants of the majority of less gifted men. In the market economy the consumers are supreme. They determine, by their buying or abstention from buying, what should be produced, by whom and how, of what quality and in what quantity. The entrepreneurs, capitalists, and landowners who fail to satisfy in the best possible and cheapest way the most urgent of the not yet satisfied wishes of the consumers are forced to go out of business and forfeit their preferred position. In business offices and in laboratories the keenest minds are busy fructifying the most complex achievements of scientific research for the production of ever better implements and gadgets for people who have no inkling of the scientific theories that make the fabrication of such things possible. The bigger an enterprise is, the more it is forced to adjust its production activities to the changing whims and fancies of the masses, its masters. The fundamental principle of capitalism is mass production to supply the masses. It is the patronage of the masses that makes enterprises grow into bigness. The common man is supreme in the market economy. He is the customer "who is always right."

In the political sphere representative government is the corollary of the supremacy of the consumers in the market. The office-holders depend on the voters in a way similar to that in which the entrepreneurs and investors depend on the consumers. The same historical process that substituted the capitalistic mode of production for precapitalistic methods substituted popular government – democracy – for royal absolutism and other forms of government by the few. And wherever the market economy is superseded by socialism, autocracy makes a comeback. It does not matter whether the socialist or communist despotism is camouflaged by the use of aliases such as "dictatorship of the proletariat" or "people's democracy" or "Führer principle." It always amounts to a subjection of the many to the few.

It is hardly possible to misconstrue more improperly the state of affairs prevailing in the capi-

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talistic society than by dubbing the capitalists and entrepreneurs a "ruling" class intent upon "exploiting" the masses of decent men. We do not have to raise the question how the men who under capitalism are businessmen would have tried to take advantage of their superior talents in any other thinkable organization of production activities. Under capitalism they are vying with one another in serving the masses of less gifted men. All their thoughts aim at perfecting the methods of supplying the consumers. Every year, every month, every week something unheard of before appears on the market and is very soon made accessible to the many. Precisely because they are producing for profit, the businessmen are producing for the use of the consumers.

Confusion Concerning Property

The second deficiency of the customary treatment of the problems of society's economic organization is the confusion produced by the indiscriminate employment of juridical concepts, first of all the concept of private property.

In the precapitalistic ages there prevailed by and large economic self-sufficiency, first of every household, later – with the gradual progress toward commercialism – of small regional units. The much greater part of all products did not reach the market. They were consumed without having been sold and bought. Under such conditions there was no essential difference between private ownership of producers' goods and that of consumers' goods. In each case property served the owner exclusively. To own something, whether a producers' good or a consumers' good, meant to have it for oneself alone and to deal with it for one's own satisfaction.

But it is different in the frame of a market economy. The owner of producer's goods, the capitalist, can derive advantage from his ownership only by employing them for the best possible satisfaction of the wants of the consumers. In the market economy property in the means of production is acquired and preserved by serving the public and is lost if the public becomes dissatisfied with the way in which it is served. Private property of the material factors of production is a public mandate, as it were, which is withdrawn as soon as the consumers think that other people would employ the capital goods more efficiently for their, viz., the consumers', benefit. By the instrumentality of the profit and loss system the capitalists are forced to deal with "their" property as if it were other peoples' property entrusted

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to them under the obligation to utilize it for the best possible provision of the virtual beneficiaries, the consumers. This real meaning of private ownership of the material factors of production under capitalism could be ignored and misinterpreted because all people – economists, lawyers, and laymen – had been led astray by the fact that the legal concept of property as developed by the juridical practices and doctrines of precapitalistic ages has been retained unchanged or only slightly altered while its effective meaning has been radically transformed.[4]

In the feudal society the economic situation of every individual was determined by the share allotted to him by the powers that be. The poor man was poor because little land or no land at all had been given to him. He could with good reason think – to say it openly would have been too dangerous –: I am poor because other people have more than a fair share. But in the frame of a capitalistic society the accumulation of additional capital by those who succeeded in utilizing their funds for the best possible provision of the consumers enriches not only the owners but all of the people, on the one hand by raising the marginal productivity of labor and thereby wages, and on the other hand by increasing the quantity of goods produced and brought to the market. The peoples of the economically backward countries are poorer than the Americans because their countries lack a sufficient number of successful capitalists and entrepreneurs.

A tendency toward an improvement of the standard of living of the masses can prevail only when and where the accumulation of new capital outruns the increase in population figures.

The formation of capital is a process performed with the cooperation of the consumers: only those entrepreneurs can earn surpluses whose activities satisfy best the public. And the utilization of the once accumulated capital is directed by the anticipation of the most urgent of the not yet fully satisfied wishes of the consumers. Thus capital comes into existence and is employed according to the wishes of the consumers.

Two Kinds of Power

When in dealing with market phenomena we apply the term "power," we must be fully aware

[4] It was the great Roman poet, Quintus Horatius Flaccus, who first alluded to this characteristic feature of property of producers' goods in a market economy. See Mises, *Socialism*, new edition, p. 42 n.

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of the fact that we are employing it with a connotation that is entirely different from the traditional connotation attached to it in dealing with issues of government and affairs of state.

Governmental power is the faculty to beat into submission all those who would dare to disobey the orders issued by the authorities. Nobody would call government an entity that lacks this faculty. Every governmental action is backed by constables, prison guards, and executioners. However beneficial a governmental action may appear, it is ultimately made possible only by the government's power to compel its subjects to do what many of them would not do if they were not threatened by the police and the penal courts. A government supported hospital serves charitable purposes. But the taxes collected that enable the authorities to spend money for the upkeep of the hospital are not paid voluntarily. The citizens pay taxes because not to pay them would bring them into prison and physical resistance to the revenue agents to the gallows.

It is true that the majority of the people willy-nilly acquiesce in this state of affairs and, as David Hume put it, "resign their own sentiments and passions to those of their rulers." They proceed in this way because they think that in the long run they serve better their own interests by being loyal to their government than by overturning it. But this does not alter the fact that governmental power means the exclusive faculty to frustrate any disobedience by the recourse to violence. As human nature is, the institution of government is an indispensable means to make civilized life possible. The alternative is anarchy and the law of the stronger. But the fact remains that government is the power to imprison and to kill.

The concept of economic power as applied by the socialist authors means something entirely different. The fact to which it refers is the capacity to influence other peoples' behavior by offering them something the acquisition of which they consider as more desirable than the avoidance of the sacrifice they have to make for it. In plain words: it means the invitation to enter into a bargain, an act of exchange. I will give you *a* if you give me *b*. There is no question of any compulsion nor of any threats. The buyer does not "rule" the seller and the seller does not "rule" the buyer.

Of course, in the market economy everybody's style of life is adjusted to the division of labor, and a return to self-sufficiency is out of the question. Everybody's

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bare survival would be jeopardized if suddenly he would be forced to experience the autarky of ages gone by. But in the regular course of market transactions there is no danger of such a relapse into the conditions of the primeval household economy. A faint image of the effects of any disturbance in the usual course of market exchanges is provided when labor union violence, benevolently tolerated or even openly encouraged and aided by the govment, stops the activities of vital branches of business.

In the market economy every specialist – and there are no other people than specialists – depends on all other specialists. This mutuality is the characteristic feature of interpersonal relations under capitalism. The socialists ignore the fact of mutuality and speak of economic power. For example, as they see it, "the capacity to determine product" is one of the powers of the entrepreneur.[5] One can hardly misconstrue more radically the essential features of the market economy. It is not business, but the consumers who ultimately determine what should be produced. It is a silly fable that nations go to war because there is a munitions industry and that people are getting drunk because the distillers have "economic power." If one calls economic power the capacity to choose – or, as the socialists prefer to say, to "determine" – the product, one must establish the fact that this power is fully vested in the buyers and consumers.

"Modern civilization, nearly all civilization," said the great British economist, Edwin Cannan, "is based on the principle of making things pleasant for those who please the market and unpleasant for those who fail to do so."[6] The market, that means the buyers; the consumers, that means all of the people. To the contrary, under planning or socialism the goals of production are determined by the supreme planning authority; the individual gets what the authority thinks he ought to get. All this empty talk about the economic power of business aims at obliterating this fundamental distinction between freedom and bondage.

The "Power" of the Employer

People refer to economic power also in describing the internal conditions prevailing within the various enterprises. The owner of a private firm or the president of

[5] Cf. for instance, A. A. Berle, Jr., *Power without Property* (New York: Harcourt, Brace, Inc.), 1959, p. 82.

[6] Edwin Cannan, *An Economist's Protest* (London: P.S. King & Son, Ltd., 1928), pp. VIf.

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a corporation, it is said, enjoys within his outfit absolute power. He is free to indulge in his whims and fancies. All employees depend on his arbitrariness. They must stoop and obey or else face dismissal and starvation.

Such observations, too, ascribe to the employer powers that are vested in the consumers. The requirement to outstrip its competitors by serving the public in the cheapest and best possible way enjoins upon every enterprise the necessity to employ the personnel best fitted for the performance of the various functions entrusted to them. The individual enterprise must try to outdo its competitors not only by the employment of the most suitable methods of production and the purchase of the best fitted materials, but also by hiring the right type of workers. It is true that the head of an enterprise has the faculty to give vent to his sympathies or antipathies. He is free to prefer an inferior man to a better man; he may fire a valuable assistant and in his place employ an incompetent and inefficient substitute. But all the faults he commits in this regard affect the profitability of his enterprise. He has to pay for them in full. It is the very supremacy of the market that penalizes such capricious behavior. The market forces the entrepreneurs to deal with every employee exclusively from the point of view of the services he renders to the satisfaction of the consumers.

What curbs in all market transactions the temptation of indulging in malice and venom is precisely the costs involved in such behavior. The consumer is free to boycott for some reasons, popularly called noneconomic or irrational, the purveyor who would in the best and cheapest way satisfy his wants. But then he has to bear the consequences; he will either be less perfectly served or he will have to pay a higher price. Civil government enforces its commandments by recourse to violence or the threat of violence. The market does not need any recourse to violence because neglect of its rationality penalizes itself.

The critics of capitalism fully acknowledge this fact in pointing out that for private enterprise nothing counts but the striving after profit. Profit can be made only by satisfying the consumers better or cheaper or better and cheaper than others do. The consumer has in his capacity as customer the right to be full of whim and fancies. The businessman qua producer has only one aim: to provide for the consumer. If one deplores the businessman's unfeeling preoccupation with profit-seeking, one has to realize two

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things. First, that this attitude is prescribed to the entrepreneur by the consumers who are not prepared to accept any excuse for poor service. Secondly, that it is precisely this neglect of "the human angle" that prevents arbitrariness and partiality from affecting the employer-employee nexus.

A Duty of the Elite

To establish these facts does not amount either to a commendation or to a condemnation of the market economy or its political corollary, government by the people (representative government, democracy). Science is neutral with regard to any judgments of value. It neither approves nor condemns; it just describes and analyzes what is.

Stressing the fact that under unhampered capitalism the consumers are supreme in determining the goals of production does not imply any opinion about the moral and intellectual capacities of these individuals. The individuals qua consumers as well as qua voters are mortal men liable to error and may very often choose what in the long run will harm them. Philosophers may be right in severely criticizing the conduct of their fellow citizens. But there is, in a free society, no other means to avoid the evils resulting from one's fellows' bad judgment than to induce them to alter their ways of life voluntarily. Where there is freedom, this is the task incumbent upon the elite.

Men are unequal and the inherent inferiority of the many manifests itself also in the manner in which they enjoy the affluence capitalism bestows upon them. It would be a boon for mankind, say many authors, if the common man would spend less time and money for the satisfaction of vulgar appetites and more for higher and nobler gratifications. But should not the distinguished critics rather blame themselves than the masses? Why did they, whom fate and nature have blessed with moral and intellectual eminence, not better succeed in persuading the masses of inferior people to drop their vulgar tastes and habits? If something is wrong with the behavior of the many, the fault rests no more with the inferiority of the masses than with the inability or unwillingness of the elite to induce all other people to accept their own higher standards of value. The serious crisis of our civilization is caused not only by the shortcomings of the masses. It is no less the effect of a failure of the elite. ◈

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FRANZ E. WINKLER

ABOUT MARIJUANA

ABOUT THE AUTHOR:
AS EARLY AS 1960, Dr. Franz E. Winkler began to speak publicly against the use of psychotropic drugs for non-medical purposes, in magazine articles, in lectures at colleges, and most recently on television. In a one-hour TV interview, called "What's Happening to the Family?" produced by Capital Cities Broadcasting Corporation and now being seen in cities throughout the nation, Dr. Winkler speaks especially of the use of marijuana. He also mentioned it in his appearance in February on WNBC TV's program "For Women Only." The letter printed here was written in response to one of the thousands of inquiries received by Dr. Winkler following his recent appearances.

Franz E. Winkler was born in Austria and came to New York as a young doctor. He received his medical degree from the University of Vienna and studied under Sigmund Freud and the Nobel Prize winner, Wagner-Von Jauregg, both of whom were family friends. He specialized in internal medicine and psychiatry and, before leaving Austria, was head of a hospital in Graz for internal and neurological diseases. In New York City, Dr. Winkler has a private practice and serves on the teaching staff of Clinical Medicine at the New York Medical College. He is medical adviser to the Waldorf School in Garden City and a trustee of Adelphi University.

Dr. Winkler's book, *Man: The Bridge Between Two Worlds,* was published by Harper & Row in New York in 1960, and has since appeared in German, Dutch, and Russian editions. Recently, the book was republished by Gilbert Church, Publisher, 475 Fifth Avenue, New York, N. Y. 10017.

Dr. Winkler has been President of the Myrin Institute since its foundation in 1953.

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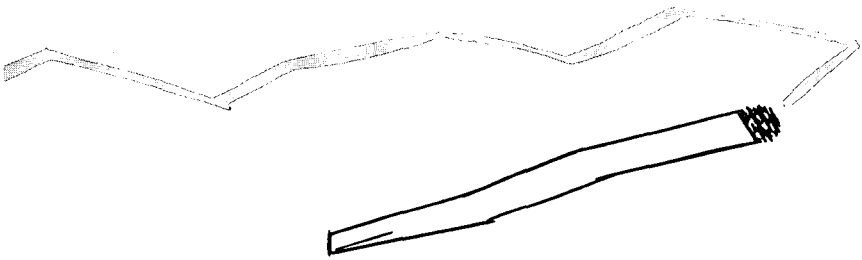

February 13, 1970

Dear Mrs. K.,

Your call was greatly appreciated. There exists no transcript of my remarks on marijuana in the TV panel discussions held during the first week of this month, but I shall try to answer your question by briefly summarizing my view.

Although the existing laws clearly indicate that the majority of scientists are aware of the damage the drug causes to the physical, mental, and genetic organism, years may pass before a sufficient number of case histories can be collected to offer irrefutable proof. Then it will be too late for millions.

Unfortunately, a group of (let us hope) well-meaning but certainly misguided individuals declares publicly that marijuana is harmless, without possessing either the training or the opportunity for a valid judgment on the matter. Knowledge in sociology or other nonmedical sciences, significant as it may be, simply does not count in areas to which it does not pertain. Yet the American public is so authority-conscious that it will readily accept from a person prominent in one subject views on other matters of which he knows nothing.

The failure of the medical profession to become fully aware of the subtle but in my opinion disastrous effects of marijuana may have the following reason. The old-fashioned family doctor would have been quick to notice these effects and to eliminate their cause. And even today the general

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practictioner would still be in a position to observe the destructive effects of marijuana, were he not too busy to deal with psychological problems. The psychiatrist, on the other hand, sees the already psychologically disturbed patient at a time when it is no longer possible to distinguish between preexisting psychotic tendencies and marijuana effects.

Since my main interest in medicine happens to be the health of the personality as a whole, I have tried for thirty-eight years to make friends with very young children and to keep their confidence and friendship through their adolescent and adult years. Moreover, my experience includes a steady stream of young people who have heard a lecture, read a publication, or seen a TV program of mine. They do not come as patients but merely to discuss their views on life with an older man. Thus, I have known many people for a long time, not just as a physician but as a friend. Among them there are those who have taken marijuana at one time or another, giving me a chance to observe its effects on the deeper strata of the personality, strata well hidden from a casual observer.

In this long experience, I have come to the conclusion that the abuse of marijuana is one of the major tragedies of our time. While hard drugs cause far more obvious physical and mental harm, they are mostly used by people already defeated by life, who seek in them a way to oblivion. What makes the use of marijuana tragic is that it appeals not only to the neurotic and already defeated but to healthy young people who seek in it nothing worse than diversion or an expansion of consciousness. Unknown to themselves and unnoticed by a generation of parents, teachers, and physicians often too busy or uncaring to pay real attention to anyone but themselves, some of the finest young people are thus condemned by sheer ignorance to a gradual disintegration of their personality.

An early effect of marijuana and hashish use is a progressive loss of will power, already noticeable to the trained observer after about six weeks of moderate use. The loss of will power weakens the ability to resist coercion, so that marijuana users too often fall victim to hard drug pushers, extortionists, and deviates. Soon all ability for real joy disappears, to be replaced by the noisy pretense of fun. While healthy teen-agers will eagerly participate in all kinds of activities, such as sports, hiking, artistic endeavors, a mari-

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juana user will show an increasing tendency to talk endlessly of great goals, while doing nothing about them. Athletic abilities invariably fall off with the use of marijuana. Artistic achievements become meaningless and lose all originality. Instead of developing strong feelings toward others, the marijuana user is apt to wallow in sentimental emotions. Since the drug removes inhibitions, sex life may be stimulated for a brief period but invariably declines within a few years, leaving men all but impotent and women frigid.

Aware of the fact that most dedicated pot smokers would refuse to accept my views on faith, I usually offer them the following proposition: "Conduct an independent investigation of your own. Pick any individual among your classmates, friends, or relatives who has been taking marijuana for at least a year but whom you had known well before he started taking the drug. Then compare his present personality with his former self. If you do not find that he is turning into an empty shell, that he is on the way to becoming a pitiful caricature of his earlier self, I shall make no further effort to convince you." I do not remember one single high school or college student seriously undertaking this investigation who did not return deeply shocked by his experience. Most of them not only made a resolution never to take the drug but became most effective crusaders against it among their contemporaries. Unfortunately, people are not observant enough to notice the weird but elusive changes in themselves or others unless their attention is directed to them.

The often-heard argument that alcohol is just as bad as marijuana is meaningless, since the lasting effects of moderate amounts of alcohol are minimal in contrast to the harmful effects of even a couple of reefers daily. An illness does not become more attractive by the statement that another one is just as bad. Moreover, a great number of marijuana users have turned to alcohol when their drug habit no longer suffices to mask the growing despair of inner emptiness.

Sincerely,

Franz E. Winkler, M. D.

APPENDIX:

Of interest to readers of Dr. Winkler's letter will be the report written in November, 1969, to a commission of inquiry impaneled in Canada to inquire into the nonmedical use of drugs. In it Dr.

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Keith Yonge, president of the Canadian Psychiatric Association, writes:

". . . the use of these drugs does indeed induce lasting changes in personality functioning, changes which are pathological in so much as they impair the 'mental and social well-being.' . . .

"The harmful effects are of the same order as the pathology of serious mental illness (psychosis), namely, in distorting the perceptual and thinking processes and in diverting awareness from reality, impairing the individual's capacity to deal with the realities of life.

"The argument that marijuana is no more harmful than alcohol is specious. Although alcohol does constitute a serious health hazard in our society because of its readiness to intoxication, its action on the mental processes cannot be simply equated with that of marijuana. The primary action of alcohol is that of a relaxant. Impairment of mental functioning occurs when intoxicating quantities are taken. Marijuana, as with all the psychotropic drugs, on the other hand, acts solely as an intoxicant, its effects being primarily the distortion of perception and reasoning.

"In psycho-social development man grows from the prevalence of self-gratification and dependency, with little regard for reality, to the prevalence of self-determination and self-abnegatory involvement in his society. Against this progression, the trend toward 'instant' self-gratification and artificial self-exploration (by the use of psychotropic drugs) is distinctly regressive – a reversion to the immature, the primitive. The regression is further evidenced in the other trends in group behavior with which the nonmedical use of drugs tends to be associated – reversion to the crude or primitive in speech, in sexual expression, and in taste for music forms – however much these may be rationalized as emancipation from socio-cultural oppression."

(as quoted in the *New York Post*, February 24, 1970.)

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Collective Bargaining:

The Power to Destroy

IN THE MIDST of postal strikes, teamsters' stoppages, and predictions of upheavals in the auto workers' union, it is reassuring to read Merryle Stanley Rukeyser's *Collective Bargaining: the Power to Destroy* (Delacorte Press, $7.50). Mr. Rukeyser, a long-term student of the labor movement, has such a sublime trust in the market that he actually undermines the part of his title that speaks of "the power to destroy." What he is saying is that sanity will prevail as long as the customer is the final arbiter of both wages and prices.

Before dealing with the good news in this book, however, the reviewer must admit that a lot of "ruin" can happen before sanity takes over. Mr. Rukeyser is quite aware that the unions, in putting their faith in Keynesian doctrines that lead to perpetual inflation, can hurt the customer badly before he reacts. Mr. Rukeyser doesn't think much of AFL-CIO boss George Meany's "diversionary" attack on profits. The general labor animus against Lemuel Boulware's efforts to inject some common honesty into collective bargaining tactics bothers Mr. Ruckeyser. But in the final analysis this is a supremely hopeful book. It sees prudence taking over in labor-management relations before there is any disastrous plunge over the precipice.

The sophisticated modern employer, says Mr. Rukeyser, is no longer a labor-baiter intent upon "liquidating" the unions. The prudent employer, in his opinion, knows that he is only a middleman who stands between the worker and the customer. The

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problem is always to reach a compromise on wages that will not push costs so high that the customer will revolt. At the same time labor must be given the incentive to reduce the unit cost of producing something that the customer will like. The far-seeing manager will try to remain just a bit ahead of the labor market rather than behind, for he knows that "lagard employers get the least productive workers."

Man vs. Machine

Mr. Rukeyser realizes that ambitious labor leaders, fighting to remain in control of their unions, will often press management too hard. In cases where the unions have monopoly power this could result in an industry pricing itself into bankruptcy. But instances of actual union monopoly are few and far between. The truth, says Mr. Rukeyser, is that the human worker is always in competition with machines. It is not "man hours" that provide an accurate measure of productivity; it is "man-tool hours." When unions force costs up faster than productivity rises, the whip is on management to invest in the latest thing in automation. The superior tool cuts the unit cost of production by putting men out of work.

The tenure of employment, Mr. Rukeyser insists in several places in his book, depends on ratification by the customer of management's judgment about working conditions. Mr. Rukeyser's analysis follows the economics of Ludwig von Mises. "The open marketplace," he says, "is a quasi-democratic voting booth where consumer plebiscites continuously take place."

It is Mr. Rukeyser's hope that both management and labor in the future will concur in the desirability of establishing "conditions for optimum growth." The union effort should be to "expertly determine what slice of the growth-income pie can go to employees without impairing expansion." It follows from this that the unions should welcome what is now called "Boulwarism."

End the Tomfoolery

As students of post-World War II labor-management history know, Lemuel Boulware of General Electric flabbergasted the unions by advising management to "do right voluntarily." The Boulware idea was to open up a continuing dialogue between rank and file union workers and a company's cost accountants and personnel directors. Under "Boulwarism" information about a company's competitive position would be made available to the workers before negotiations. With every-

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thing on the table, a company would be able to make a "fair, firm" offer to the union. The offer would be subject to change in detail, but it would be up to the union negotiators to show where it would not be hurtful to the industry and to the workers themselves if any drastic alterations were accepted. There would be an end to flummery under the Boulware dispensation. No more phony preliminary offers, and no more phony demands, all pitched toward making the union negotiators look like indispensable supermen in the eyes of a hoodwinked rank and file after a compromise had been reached.

It is a sad commentary that the unions have never accepted Boulwarism. Still, Mr. Rukeyser puts his trust in the final triumph of the scientific approach. He doesn't think that politicians in Washington can be trusted to make realistic economic decisions. Unions and management must come to accept the "new ideals of collective consultation." "Boulwarism," perhaps under a different name, will become the general working practice.

David McDonald, former head of the United Steel Workers, was groping toward the Boulware concept when I. W. Abel defeated him for the presidency of the steel union. But, despite this setback, the "innovation of all-year-round consultative machinery," as a replacement for "eleventh-hour crisis bargaining," had growing support among the steelworkers. Former UN Ambassador Arthur Goldberg, once a prominent union attorney himself, brought forth the idea of a Human Relations Committee, which is "Boulwarism" with a union label cachet.

Harmony of Interests

Mr. Rukeyser knows that the Marxian idea of a perpetual class conflict dies hard. But he cites instances where Henry Carey's "harmony of the interests" has routed the Marxists. When the Federal Communications Commission was threatening an investigation of telephone rates, Joseph Beirne, the head of the AFL-CIO Bell Company union, publicly accused the FCC staff of trying to punish the American Telephone and Telegraph Company for success. Mr. Beirne made the point that the government was hoping to reward Western Union for being a less powerful competitor by making things difficult for the more efficient AT&T. The FCC had proposed to divest AT&T of its leased wire services and to turn these over exclusively to Western Union, which would have ended customers' choice in TWX, or leased wire, services. The ridicu-

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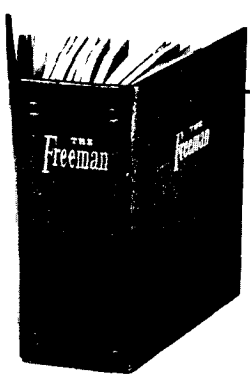
lous thing about the whole business was that the FCC itself had approved the rates for the AT&T TWX services. If they were so low as to provide unfair competition, it was the FCC's own fault.

Mr. Rukeyser thinks it is up to the unions and management to make common and enlightened cause in fighting the drift to what he calls "American Falangism." Falangism, of course, is what they have in Franco's Spain, where the symbols of free enterprise are retained but the government makes the crucial economic decisions. When President Kennedy substituted his judgment for that of the market in the steel price controversy of 1962, he was acting as a Falangist. The attempts to substitute compulsory restraints for free bargaining are also in the Falangist pattern. It is because of the menace to "both their houses" that labor and management have a common interest in moving toward "collective consultation" as a substitute for "primitive collective bargaining."



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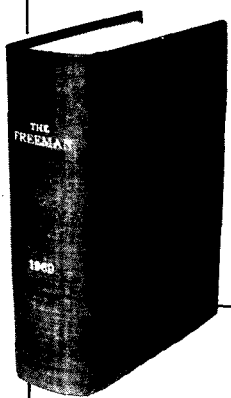

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